THE MARKETING PROBLEM

HOW IT IS BEING TACKLED IN U.S.A.

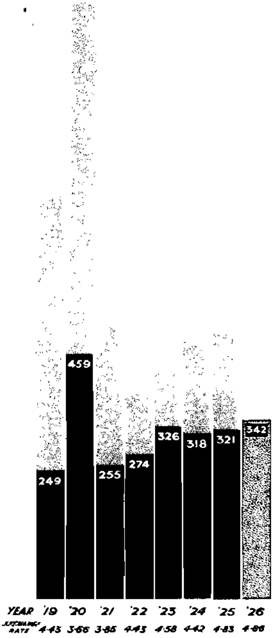
by

EDWARD T. ELBOURNE
A.M.I.MECH.E.
Director of Marketing Investigation
Shaw Wardlaw and Company Ltd.
Author of 'Factory Administration and Cost Accounts'

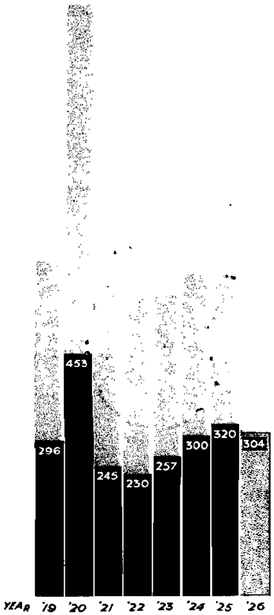
With a foreword by
SIR JOSIAH STAMP
G.B.E., F.B.A.

1615
1927

LONGMANS, GREEN AND CO. LTD
39 PATERNOSTER ROW, LONDON, E.C. 4
NEW YORK, TORONTO,
BOMBAY, CALCUTTA AND MADRAS
1926



UNITED STATES



GREAT BRITAIN

EXPORTS & IMPORTS

OF SEMI-FINISHED AND FINISHED MANUFACTURES

Exports indicated in colour.
Imports superimposed in black.
Values in millions of £ sterling.

1926 totals are assumed to be in proportion to Jan.-July figures for U.S.A. and Jan.-Sept. figures for Great Britain.

See also p. 14

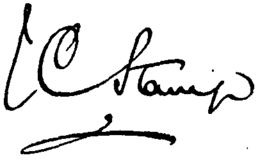
FOREWORD

ECONOMISTS and business men who have visited the United States in recent years to probe the secret of the abounding prosperity have come back and told us, first, of the abundance of natural resources per head of the population; second, of the progressive attitude of mind towards problems of up-to-date machinery and plant; third, of the possibilities of mass production for a wide market; and fourth, of the enlightened attitude of workers towards output and individualistic earnings for work done. But these alone are not the sum total of America's economic onslaught. There is a restlessness of mind, a refusal to take old ideas for granted, a pitiless scrutiny of every corner of the economic structure, an eagerness to try every new thing, that must score often even if they miss their mark many times. Sometimes the stolid and pedestrian Britisher thinks the American over fussy, mistaking busyness for business, 'doing a great deal of packing for a journey he never starts.' But even though much effort gets nowhere, there is such abundance of data, of propaganda, of statistics, that a great deal of it must contrive to get effectively into the industrial machine.

Until recent decades, we focused attention on making things, and when they were made, economists and industrialists almost lost interest in them. Now we realise more fully that a thing is economically

valueless until it gets to the place where it can be properly used and into the hands of a final user, and that these stages are just as important for the study of total 'costs of production' and for the enrichment of the world, as the factory stages. Much of the American hurrying to and fro is doubtless but the effort to substitute one seller for another, but in the process the most direct and efficient journey from maker to user tends to be discovered.

To bring back to this country a concise and detailed summary of American marketing devices, which may be studied, and, where advisable, copied by our own business men, is a service of much value, and supplements in a most useful and necessary quarter the efforts of those who have already enriched our knowledge of American economic conditions.



LONDON,
November 11, 1926.

AUTHOR'S PREFACE

THIS book has been prepared primarily for the information of those British manufacturers and merchants who have not visited the United States of America within the last two or three years.

Every effort has been made to present an unbiased and reasonably comprehensive picture of all that is involved in marketing as it is now becoming understood there—more particularly in its application to manufactured products. For primary products, on the other hand, such as wheat and cotton, marketing processes, while not dissimilar in all respects, are inevitably less individualistic.

Facts speak for themselves. For this reason a considerable amount of research was undertaken, involving many consultations with recognised leaders of business in America. The numerous quotations, tables, and references in the following pages are the result of this work and have been derived at first hand from authentic sources.

The treatment throughout is deliberately non-technical, and in reporting the facts it is not intended either to instruct the reader how to do his own marketing or to advocate American methods.

American methods are viewed by many on this side of the Atlantic with a certain antagonism. So far as this exists without adequate reason, it may possibly be modified when it is remembered that

many of the best directing brains in America's industry and commerce trace their lineage back to these troubled little Islands.

Anyone conversant with business conditions in both countries will readily acknowledge that the issue is essentially the utilisation of brains and not merely their possession.

It will be a great satisfaction to the author if the reading of this book helps to foster a regard for the United States commensurate with that regard for England so abundantly evident to the visitor.

The author is indebted in so many directions for help that he cannot do more than make a general acknowledgment of his grateful appreciation—to give a list of names would burden the book.

E. T. E.

SHAWDLAW HOUSE,
38 GROSVENOR PLACE,
WESTMINSTER, S.W. 1.

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The Citizen and the Traveller.

'Look round you,' said the Citizen 'This is the largest market in the world.'
'Oh, surely not!' said the Traveller.
'Well, perhaps not the largest,' said the Citizen, 'but much the best.'
'You are certainly wrong there,' said the Traveller. 'I can tell you——'
They buried the stranger at the dusk.

From 'Fables' by R. L. *Stevenson,*

by permission of *Mr. Lloyd Osbourne.*'

I ·

RECENT AMERICAN DEVELOPMENT

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RECENT AMERICAN DEVELOPMENT

IT is hardly necessary to inform the reader as to the general conditions of business in U.S.A., but it is certainly desirable that attention should be drawn to the economic tendencies and aspirations underlying them. These are indicated by the continuous urge towards still greater efficiency in all the activities—social, industrial, commercial—that go to make up the vigorous, everyday life of that great nation. Accordingly the following survey of affairs has been specially written by L. P. Alford,[1] a recognised American authority on these matters.

The material advancement of the United States since 1900 is one of the outstanding American developments. We have completed the conquest of our wild land, and the rate of increase of our population is now considerably lower than before 1914. We have extended our productive equipment and the volume of manufactured goods. We have developed our home market and very largely increased its power of consumption. It is estimated that the average household now possess three times as many useful household goods as were enjoyed in 1900. We have increased the earnings of our wage earners and, as a result, are enjoying the highest standard of living which the American people have ever known

[1] Editor, *Manufacturing Industries*, New York City.

The above summing-up is material, but not all of our developments are in that plane. We have evolved a practical application of the idea of essential service expressed in the thought that 'profit should come from rendering essential service, and when earned and acquired should be a deserved profit.' And further, there has come an attitude of conscious co-operation between employers, employees, and the buying public. Potentially this is probably the greatest step of all.

With these facts in mind it is quite natural to ask, What are the forces that have brought such results?

While no complete answer can be given to a question of this kind, it is possible to point out some of the influences that are most significant.

As the new century opened a small group of engineers began to apply analytical methods in studying manufacturing operation and management. In colloquial language we speak of management as 'the art of getting work done.' The leaders in this small group were Frederick W. Taylor, Henry L. Gantt, and Harrington Emerson.

Their first attack was upon the problems concerned with production—that is, with getting work of the right quality and right amount finished at the right time. Almost from the first the impact of their work was upon the management—the group of men who give orders as contrasted with the group who take orders. From their work has come a body of fundamentals or laws and a body of methods or practices. Both of these have been codified during the last two years or so. The direct result of their

application has been far better control of production factors than ever existed before.

Just before the outbreak of the World War these analytic-minded men were beginning to concern themselves with the 'human factor in industry.' The tremendous demand for production, the stress placed upon American industry because of war conditions, accentuated this second management attack. We passed through four years of intense activity, much of it misdirected, some of it sound and constructive, and after the unsound element had been discarded there emerged a body of practice which we refer to as personnel management. Briefly stated, it is an attempt to specialise the individual and his efforts in the most productive channels for him, and at the same time to create and maintain the most pleasant, most harmonious working relationships between all parties in industry, owners, management and workers.

Nearly simultaneous in point of time with this personnel development came a determined attack upon cost finding. Costing is comparatively new in the United States, our first literature going back no farther than 1909. At first, cost finding concerned itself with compiling, after the event, the cost of making an article or line of articles. In 1918, under the influence of the analytic attack made upon production, there came forward a new point of view—namely, that costs should be pre-estimated or predetermined and then placed under control as they accrued. The methods developed to put this point of view into effect had become known as standard costs, or predetermined cost methods.

A year or two later another significant development came forward—namely, an analytic attack upon financial control. From this has developed methods of budgeting income, expenditures, cash requirements, and profit, for periods in advance ranging from three to eighteen months. Methods of organisation have also been set up for the administration of such budgets in order that the final results may correspond with the original plan and estimate.

It is quite natural that this same influence should reach into other activities, and we are now experimenting with market analysis. Considerable good work has been done, more is in progress. The general point of view is that production has been brought to a very high level of effectiveness, while distribution is much farther behind. But the attempt has been made to discover how to eliminate waste, forestall losses and market with effectiveness and certainty.

The opening paragraph of this statement indicated some of the results which have become evident in American industry and business in the past twenty-five years. An increase in production and the raising of wages have been mentioned. An element in production increase has been more mechanisation in manufacturing. During the census period 1914 to 1923, the amount of mechanical power utilised per industrial wage earner increased by one-sixth. The productive efficiency per wage earner is estimated to have increased 33 per cent. in the same period. The increase in productivity for a few industries has been determined: for example, in automobile building it

is 200 per cent.; in steel manufacturing, 50 per cent. in paper and pulp industry, 25 per cent.; and in the manufacture of shoes, 16 per cent. During the same period the increase in labour cost per unit of product has been but 2 per cent. and the cost of management has decreased 12 per cent.

These few figures indicate the vastly increased output of goods and their absorption and enjoyment by our people. A single striking example will help to show what has happened. In 1900 there were about 3,000 automobiles in use in the United States; at the close of 1926 the number will be some 22,000,000.

However, not all of the increased earnings of wage earners have been spent for articles of enjoyment. Hundreds of manufacturing companies have sold stock to their employees, and the number of wage earners who own such securities runs into millions.

This participation ownership of industrial concerns by the wage earners employed therein is one proof of the attitude and fact of conscious co-operation previously referred to as probably the most significant recent development in American industry and business. Employers and employees are getting together, not merely around the same conference table, but on the same side of the table.

Another bit of evidence is the 800 odd works councils or employee representation plans which are functioning for the determination of questions affecting working conditions and surroundings, for the improvement of relationship between management and men, and for the greatest success of manufacturing

concerns where these organisations are functioning. Many managers have adopted the policy of presenting full financial statements to their employees, so that the man who works at the machine bench will know where his company stands in regard to incoming orders, inventories, financial reserves, profit, and the like.

It has been said, with a flash of truth, that every American is a poker player and that statements he makes about himself and his own country are curtained by a mask so that the complete story is not revealed. In other words, it is said that you should discount whatever an American says.

Lest that feeling should prevail in regard to those few statements of American industrial and business conditions, it must be emphasised that the end of the road has by no means been reached. One improvement lays the foundation for another, one step forward positions for the next. America has but started on the road of progress, and what has been indicated as to results and possibilities is but the beginning, not the end.

It will be germane to the purpose of this book to supplement this general review with quotations from an address [1] by Herbert Hoover, Secretary of the United States Department of Commerce, *The Future of our Foreign Trade.*

Our most competitive group is that of manufactured goods, and expansion of the exports of our manufactured goods is of the utmost importance to us. As our population increases we shall consume more

[1] Before the Export Managers' Club of New York, March 16, 1926.

of our foodstuffs and this important item in our exports will tend to decrease because our easily cultivable land is now well occupied. The day of unlimited lands is over. If we are to maintain the total volume of our exports and consequently our buying power for imports, it must be by steady pushing of our manufactured goods.

In considering our future position as exporters we may well take stock of our experience in the past. In our measurement of progress we must naturally revert to pre-war for our base because of the terrific dislocation that arose from the war. Likewise, if we would have any true measuring stick we must make allowance for the shifting value of currencies.

With these adjustments on to a quantity instead of a monetary basis our export trade for 1925 was 36 per cent. above 1913. And though 1925 was a good year, it marked no sudden increase, as in 1924 our exports stood 30 per cent. quantitatively above 1913. Likewise, as I have said, our imports for 1925 on a quantitative basis were 60 per cent. above 1913. In none of the European combatant nations have exports upon a quantity basis yet exceeded their pre-war footing. Nor can this increase in our trade be laid to natural resources or non-competitive goods or some fortuitous cause. Our exports of manufactured goods —our most competitive group—have expanded even faster than the other groups in our trade, yet our factories pay the highest real wages in the world.

If we examine the reason why we should have been almost unique among nations in this progress, I believe we can justly claim that it has been due to certain distinctively American accomplishments, and that in these accomplishments lies the confidence for the future. Our expansion of foreign trade is a part

of our domestic progress, both socially and economically. And in this progress I would first mention the accumulative value of the intensified education, both elementary and higher, which we have been dinning into the American youth over the last thirty-five years. In this time we have multiplied our students in institutions of higher learning by 400 per cent. To-day we have more than all the rest of the world put together. We have trained technical personnel in every avenue of production and distribution upon a scale vastly larger than that possessed by any other nation. We have realised from this and many other causes a great advance in business organisation and a great adaptability to new ideas and to shifting demand.

Our workpeople have increased in education and skill. Above all they are largely free from the economic fallacy that restriction of individual effort increases the number of jobs. Our national unions have long since declared against such theories. We are reaping the benefits of some 600 industrial research laboratories, mostly established in the last twelve years. They are ceaselessly searching for invention and for every economy in the use of materials and method. Under the pressure of high wages we have ruthlessly revised our industry with every new invention. Beyond this, there is great and co-operative movement in American industry and commerce for cutting out waste in a thousand directions through improved business practice, through simplification of processes and methods. Furthermore, we have had a great advantage which we must not deny, in that by volume production, made possible through a great domestic market, we have been able by repetitive processes to apply or focus every advance into standard commodities of high quality and low cost of production.

The cumulation of these forces has increased our national efficiency to a degree which I hesitate to express statistically, lest we appear to exaggerate. But I might observe that, by and large, while we have increased our population 16 or 17 per cent. in a dozen years, we have swelled the productivity of the nation by something like 30 or 35 per cent. Our farms produce 13 per cent. more with the same number of farmers as twelve years ago; our railways carry 22 per cent. more traffic with about the same number of men. We have tamed the kilowatt into the friend of man. We have now domesticated some 68 billion kilowatt-hours annually where we used 23 billion twelve years ago. They increase output and decrease sweat.

These are the reasons why we are able to sell goods of high quality, produced under the highest real wages in the world, in competition with goods produced under lower standards of living. These methods are no secret. They are open to the world. But they are rooted not alone in technology, which can be adopted by all intelligent people. They are rooted in social conceptions which penetrate far deeper and which not only promise greatly for the future in our standards of living at home, but, of more pertinent interest on this occasion, provide the basic assurance of our continuing growth in foreign trade, both exports and imports. These are the fundamental forces which promise for us our share of the world's increasing demands even of competitive goods—if we keep them in motion.

But we will not hold or gain in the world's business by resting upon past accomplishment. We can hold it by increasing our effort in education, in the elimination of waste, improvement in transportation, by cultivation of scientific research, by constant scientific

mprovement in our business administration both at nome and abroad.

The Government can chart the channels of foreign trade and keep them open. It can assist American firms in advancing their goods. In the improvement of all the foreign services the Department of Commerce has made great progress in the past five years, and it has been developed into organising an internal co-operation and consultation with our industries and our merchants. I can refer to the success of that service without egotism, for it has been the work of Doctor Klein and his assistants. Some indication of the degree of their success is shown by the increased demand upon the services of the bureau they direct. The requests of merchants, manufacturers, and farm co-operatives for information and assistance have grown from some 15,000 inquiries per month, four years ago, to a total of 170,000 inquiries per month during the past year, a total of over 2,040,000 during the year.

I believe the effect of the efforts of the department in establishment of standards, elimination of waste, and the provision of wider information has been to expand the possibilities of foreign trade to many concerns not hitherto able to extend into this field. One of the interesting and encouraging facts is the rapid increase in the number of small concerns participating in export business. The surprisingly large number of inquiries now being received by the department from such firms amply proves that the virtues of high quality, specialised production, good service, precise export technique, and farsighted policy are by no means monopolised by big corporations. Literally, thousands of small dealers and manufacturers, whose commodities have a strong specialty appeal and meet a definite need, are now

UNITED STATES OF AMERICA

Exports of Manufactured Articles.

Values in millions and tenths of millions of dollars.
Minus sign denotes decrease.

Article—	*1921-1922*	*1924-1925*	*1925-1926*	*Per cent increase 1921-1926 from 1921-1922*
Leather	41.2	50.2	51.5	24.8
Leather manufactures	17.6	20.3	19.2	9.0
Rubber manufactures	31.0	43.6	58.8	89.6
Tobacco manufactures	23.5	20.3	18.4	−21.7
Cotton manufactures, including yarns	122.9	148.2	140.7	14.4
Silk manufactures	10.2	16.8	18.4	81.1
Lumber and related products	59.7	97.3	98.9	65.5
Wood manufactures, advanced	21.3	34.1	37.3	75.1
Paper and manufactures	20.5	23.0	25.8	26.0
Mineral oils, refined	304.2	392.5	462.9	52.1
Abrasives	2.7	6.3	6.9	155.9
Iron and steel (heavy products)	130.3	136.5	157.1	20.5
Semi-manufactured	*71.0*	*65.1*	*77.3*	*9.0*
Finished products	*59.3*	*71.4*	*79.7*	*34.4*
Iron and steel (advanced articles)	49.1	67.9	78.5	60.0
Cutlery	*4.9*	*9.0*	*13.0*	*164.1*
Tools	*10.3*	*16.3*	*17.4*	*68.5*
Hardware	*5.4*	*8.8*	*9.1*	*66.7*
Copper wire and cable	4.3	5.9	6.3	45.0
Electrical machinery and apparatus	57.1	66.9	80.7	41.3
Industrial machinery	141.4	155.6	179.7	27.1
Engines, locomotives, waterwheels, etc.	*32.0*	*26.4*	*27.8*	*−12.9*
Construction and conveying	*5.3*	*10.7*	*15.9*	*199.6*
Mining, oil-well and pumping	*16.3*	*24.6*	*34.5*	*111.2*
Metal working	*11.2*	*16.7*	*19.2*	*70.5*
Textile	*17.5*	*9.6*	*12.0*	*−31.1*
Sewing machines	*6.7*	*9.8*	*10.4*	*55.3*
Printing machinery	8.1	10.0	12.5	54.2
Typewriters	10.6	17.8	19.9	87.7
Cash registers, calculating	4.1	12.6	15.4	272.7
Agricultural machinery	20.3	62.7	90.0	342.8
Tractors	*4.5*	*22.9*	*42.0*	*827.8*
Automobiles, parts and accessories	80.8	255.3	331.9	310.9
Motor trucks	*6.5*	*25.0*	*46.5*	*612.5*
Passenger cars, complete	*36.1*	*147.9*	*185.4*	*412.8*
Motor-cycles	3.1	4.5	5.2	68.2
Chemicals, etc.	96.4	107.1	119.6	24.0
Medicinal and pharmaceutical preparations	*12.9*	*18.6*	*19.6*	*51.6*
Coal tar products	*6.7*	*9.9*	*10.7*	*59.7*
Other industrial chemicals	*31.8*	*27.7*	*30.3*	*−4.6*
Paints and varnishes	*10.1*	*15.4*	*19.3*	*91.6*
Soap and toilet preparations	*14.2*	*15.3*	*16.7*	*17.5*
Photographic goods	17.6	18.0	18.4	4.2
Scientific and professional instruments, etc.	10.8	9.6	11.7	9.1
Toys, athletic and sporting goods	2.9	4.9	5.1	78.2
Firearms and ammunition	3.7	4.7	6.7	81.3
Books, pictures, printed matter	17.8	20.6	21.2	19.6
Musical instruments	7.5	12.7	14.2	89.5

successfully cultivating overseas markets. Foreign trade is thus becoming a national asset in the fullest sense of the word.

A comparative table setting out American exports for 1921–22, 1924–25, 1925–26 of certain classes of manufactured goods is given on the preceding page in the form recently published by Dr. Julius Klein of the United States Department of Commerce.

As a matter of interest graphs are shown in the frontispiece contrasting the exports and imports of semi-finished and finished manufactures by U.S.A. and Great Britain for the years 1919 to 1926.

The comparison is unavoidably approximate in that the degree of manufacture that carries an article from the category of Raw Materials and Articles Mainly Unmanufactured into that of Articles Wholly or Mainly Manufactured may vary as between the two countries. It needs therefore to be made clear that the figures are derived as follows :

U.S.A.—Dept. of Commerce Returns, Group D, Semi-manufactured and Slightly Manufactured Articles, and Group E, Finished Manufactures, combined.

Great Britain.—Board of Trade Returns, Class III., *Articles Wholly or Mainly Manufactured.*

American dollar values have been converted to £ sterling at the mean exchange rate in London for each year, according to the Institut International de Statistique.

II

COMMERCIAL RESEARCH

MARKET analysis is a phase of marketing practice that in America is finding a general acceptance in principle although there appears to be all the difference there well could be in practice.

Those who have taken their inquiries seriously find that market analysis becomes only a part, although the predominant part, of commercial research. Hence the title of this chapter.

The following quotation from a paper[1] by a leading practical exponent of the new science, L. D. H. Weld of Swift & Co., Chicago, will serve to visualise the place and purpose of commercial research:

> No lengthy statement of the value of commercial research work is necessary in this place; it is assumed that students of business problems, as well as far-sighted industrial and commercial executives, appreciate the need of stepping away from their problems, viewing them as a whole and applying fundamental principles of economics and business organisation. Although each business man is likely to think that his particular business is different from every other, scientific research has shown that this is not the case and that there are economic principles applicable to all businesses. The fact that large-scale organisation has taken the place of small units, that markets are so far-flung, that the merchandising machinery has become so complex, renders it practically impossible

[1] 'The Progress of Commercial Research,' *Harvard Business Review*, January 1923.

for an executive to attend both to managerial details and to the accumulation and analysis of all the knowledge and data necessary for an enlightened policy. The great increase in production during the past half century and the multiplicity of advertised articles make it more difficult to capture and maintain markets. Intensive methods are necessary to-day. Something more than 'ginger' talks and enthusiasm are needed to make salesmanship effective. Prevention of advertising waste can be accomplished only through painstaking study and investigation.

In the determination of buying, operating, and selling policies with respect to current and prospective trade conditions, less reliance need be placed on snap judgment and 'hunches' and more time must be devoted to gathering data from various sources and analysing them in a scientific way. The relation of business to the Government in these days of open-price associations, anti-trust laws, laws relating to unfair competition and the growing tendency toward general Government supervision of business, is a subject requiring careful economic analysis and adequate presentation of facts. Constructive co-operation with the public and with the Government is taking the place of the 'public-be-damned' attitude of the past.

The carrying on of the kind of work suggested by the foregoing problems cannot be done effectually without trained men. Unbiased market information cannot be obtained through salesmen; scientific sales quotas cannot be determined without expert statistical assistance; business trends cannot be developed by accountants; living costs and wage data from other industries cannot be collected and analysed by busy plant superintendents; general economic and public-relations policies cannot be solved by corporation secretaries.

After making clear the distinction between commercial research and research that is purely economic Mr. Weld proceeds to indicate the activities which, he considers, fall legitimately under the heading of commercial research, viz.:

1. Analysis of Sales Results and Sales Methods.
2. Market Analysis.
3. Analysis of Advertising Results.
4. Study of Business Conditions and Business Cycles.
5. Analysis of Raw Material Markets.
6. Determination of Sales Quotas.
7. Seeking New Uses for a Product.
8. Labour Problems.
9. General Economic Problems.
10. Relations with the Public and the Government.
11. General Statistics.

He goes on to say:

There is evidence that business analysis work has received an impetus during the period of business stagnation Many companies have undoubtedly begun to realise that they could have avoided some of their losses if they had had the right kind of investigational work in progress. Many reported that they had not cut down this work during the past two years, but had gradually increased it. A few research departments have been organised within the past year, and many companies, which do not have separate departments, have begun to pay more attention to this kind of work. One reply, from a large hardware manufacturer, was most enlightening:

We have not curtailed our work along this line during the past two or three years. We did, however, cut it down during the war years when we had more

business than we could reasonably take care of. But during 1919 and 1920 we realised that the high peak of volume would not be maintained and that the depression was bound to come, and during the past two or three years we have been doing more along this line than we did during the five years previous.

The paper concludes on a confident if cautionary note:

In conclusion it is safe to say that there is a growing appreciation of the value of commercial research and that there is developing a specialised field, calling for men of particular training, who can study business problems effectively from a somewhat detached and at the same time practical point of view. A great deal of the commercial research work that is being done is somewhat superficial. Some of it is of little value because it is carried on by enthusiasts who look on research work as an end in itself and who do not couple it up with vital problems in a practical way. Business men are beginning to distinguish, however, between this type of work and the work that is of real value in determining business policies, in cutting down expenses and in earning greater profits. The amount of work of this character is on the increase and will become more and more necessary as time goes on.

Commercial research in varying degree and under varying names is being conducted through the following channels:

U.S. Department of Commerce.
Trade Associations and Chambers of Commerce.
Advertising Agents and Marketing Analysts.
Auxiliary Marketing Services.

Independent Statistical Organisations.
University Schools of Commerce.
Commercial Research Departments of Business Corporations.
Publishers of Periodicals.
Banks.

Some particulars of the work of the U.S. Department of Commerce will be found under Official Information Service, Chapter III, and Elimination of Waste, Chapter IV.

The work of Trade Associations and Chambers of Commerce is dealt with under the heading of Trade Association Activities, Chapter V.

The Advertising Agent and his work together with that of the Marketing Analyst is considered in Chapter VIII, under the title of 'The Marketing Counsel.'

The description Auxiliary Marketing Services that appears in the list given above has been adopted to cover certain commercial services that do not conveniently fall under any other classification. These are discussed in Chapter VI.

With regard to Statistical Organisations, it will be sufficient for the present purpose to give a reasonably comprehensive list of various economic and forecasting services designed to meet particular points of view but all having a possible marketing interest:

Babson's Institute.
Bankers' Economic Service.
Brookmire Economic Service.
Business Barometer Dial.

Commercial Digest.
Corporation Trust Company.
Federal Reserve Bank Bulletin Service.
Gibson's Semi-Annual Forecast.
Harvard Economic Service.
Moody's Investor's Service.
Poor's Publishing Company.
Richie Data Service.
Standard Statistics Company.
United Business Service.
Wollman & Co. Review.

To these may be added the R. G. Dun's and Bradstreet's *Commercial Registers* dealing with credit standings.

Similarly with University Schools of Commerce, it would be inappropriate to do more than give a list of those schools which are understood to have achieved a recognised standing, such, for instance, as the London School of Economics holds in England. The work of the schools in developing the science of commercial research acquires its value from the intimate interchange between business and the University. The position of the university professor of commerce or science in America is, in the main, comparable with that of the military instructor in Europe—it is evidence rather of proved practical ability than of a purely theoretical outlook. It is this combined grasp of principles and practice in educated individuals that has made possible the remarkable crop of helpful marketing literature referred to in Chapter XIV.

In the following list the year in which the school of commerce, or equivalent faculty, was inaugurated is given where known :

California	University of California	*1898*
Illinois	University of Chicago	*1898*
	University of Illinois	*1902*
	North-western University	*1908*
Indiana	Indiana University	
Iowa	State University of Iowa	*1908*
Maryland	Johns Hopkins University	*1922*
Massachusetts	Harvard University	*1908*
	Boston University	*1913*
Michigan	University of Michigan	
Minnesota	University of Minnesota	*1919*
Missouri	University of Missouri	
	Washington University	*1917*
Nebraska	University of Nebraska	*1914*
New Hampshire	Dartmouth College	*1900*
New York	College of the City of New York	
	New York University	*1900*
	New York University Graduate School	*1920*
	Cornell University	
	Columbia University	*1910*
Ohio	Ohio State University	*1870*
	University of Cincinnati	*1912*
Pennsylvania	University of Pennsylvania	*1881*
Washington	University of Washington	*1861*
Wisconsin	University of Wisconsin	*1910*

A list of the principal business corporations known to maintain a commercial research organisation—though not uniformly so called—is given below:

American Radiator Company.
American Telephone and Telegraph Company.
Armour & Company.
Commonwealth Edison Company.
Dennison Manufacturing Company.

Eastman Kodak Company.
General Electric Company.
General Motors Corporation.
International Harvester Company.
Libby, McNeill & Libby.
Montgomery, Ward & Company.
Procter & Gamble Company.
Sears, Roebuck & Company.
Swift & Company.
Walworth Company.
Western Electric Company.

Under the heading of Publication Surveys, Chapter IX, will be found some particulars of a notable American development—namely, the provision by publishers of a marketing service for their advertisers. Such services are in operation in all three groups of periodical publications:

Magazines.
Newspapers.
Business or Trade Papers.

So far as commercial research work by the banks is concerned, this appears to be of a very high order. The practice of American banks in making large loans that are relatively unsecured, except by inference from the business stability of the borrowing firm or individual, has necessitated a wider outlook than is the case where ample collateral tangible security is required. American banking has identified itself so closely with industry that it has been doing commercial research for years in the every-day course of business, without always recognising it as a separate function.

No. 1615

The National City Bank of New York has been a leader in developing and disseminating sound economic information. The Cleveland Trust Company is another example that calls for mention.

As will be evident from Chapter VII, Budgetary Control, the Bankers Trust of New York is making an exceedingly important contribution towards better business management by demonstrating, through public addresses by its Vice-President, F. W. Shibley, the value of forecasting business operations, the basis for which is necessarily market analysis.

III

OFFICIAL INFORMATION SERVICE

THE United States Government Department corresponding most closely to the British Board of Trade is the Department of Commerce. It has three service bureaus, viz.:

I. Bureau of the Census.
II. Bureau of Foreign and Domestic Commerce.
III. Bureau of Standards.

The following particulars relative to the work of each bureau have been taken from the publications of the Department.

I.—BUREAU OF THE CENSUS

Decennial Census.	Population, including Occupation. Agriculture. Irrigation and Drainage. Manufactures. Mines and Quarries.
Decennial Inquiries.	Wealth, Public Debt and Taxation. Mortgages on homes. Transportation by water.
Quinquennial Inquiries.	Electrical Industries. Agriculture. Manufactures.
Biennial Inquiries.	Manufactured Product.
Annual Inquiries.	Vital Statistics. Financial Statistics of States. Financial Statistics of Cities. Statistics of Forest Products.

Semi-Annual Inquiries.	Fertiliser Materials. Paints and Varnishes.
Quarterly Inquiries.	Stocks of Leaf Tobacco. Statistics of Fats and Oils. Wool Stocks.
Monthly Inquiries.	Products, stocks, and orders for a number of commodities.

Realising that a large amount of accurate current statistics on business was already being collected by governmental, trade, and commercial agencies, the Department of Commerce, early in 1921, decided to bring the more important of these figures together in one publication for the use of business men. The results of this undertaking are shown in the *Survey of Current Business*, a monthly bulletin inaugurated in July 1921. Monthly figures on more than 800 separate items are found in this bulletin. They show comparisons by months for the preceding two years and yearly back to 1913, wherever available. Practically every important field in industry and commerce is represented in the Survey, as is apparent from the following outline of the main topics covered. These include:

- Textiles.
- Metals.
- Paper.
- Glass.
- Rubber.
- Building construction and building material.
- Transportation.
- Labour and employment.
- Prices and price indexes.
- Automobiles.
- Hides.
- Leather.
- Foodstuffs.
- Chemicals.
- Distribution.
- Banking and finance.
- Foreign trade and foreign exchange.

II.—BUREAU OF FOREIGN AND DOMESTIC SERVICE

Since 1921 Commodity Divisions have been organised as under:

Agricultural Implements.	Automotive Products.
Chemicals.	Coal.
Electrical Equipment.	Foodstuffs.
Hides and Leather.	Industrial Machinery.
Iron and Steel.	Lumber.
Nitrogen.	Paper.
Petroleum.	Rubber and Rubber Goods.
Shoe and Manufactured Leather Goods.	Sisal.
Textiles.	Minerals.

Transportation and Communication Equipment.
Specialties, including

- Tools and Hardware.
- Scientific Instruments.
- Furniture.
- Musical Instruments.
- Jewelry.
- Sporting Goods.
- Amusement Devices.
- Ceramics, Glass and Glassware.
- Office Appliances, fixtures and supplies.
- Optical and Photographic Goods, etc.

There is a Division of Regional Information, consisting of three sections:

Europe. Latin America. Far East.

This division issues a weekly publication known as the *Commerce Report*. This publication is of the greatest assistance to those interested in foreign markets.

The Technical Group comprises six divisior

Commercial Law.	Foreign Tariffs.
Commercial Intelligence.	Research.
Finance and Investment.	Statistics.

The Commercial Intelligence Division compiles *Commodity Trade Lists* for different countries. So far as possible the relative importance of the different merchants is indicated by one, two, or three stars. Symbols after each name indicate the nature of the business, whether wholesale, retail, commission merchant, agent, etc., and the nationality of each firm is given. These lists also indicate whether a firm specialises in one commodity, and if in more than one, what other commodities it handles.

Reports from which these trade lists are compiled are on file for about 150,000 foreign firms. They contain much additional information on individual firms, such as capital invested, number of employees, references, and the general reputation of each firm.

The chief medium for the dissemination of material compiled in the Research Division is the *Statistical Abstract of the United States*, an annually published handbook covering the whole field of statistical data relative to the United States. It is the most complete and reliable publication of its kind, and familiarity with its contents makes for time and labour saving on practically all occasions of reference to statistical data.

Another periodical contribution of the Division of Research is the *Foreign Section of the Survey of Current Business* which presents trade, production, financial,

and other statistics of the larger commercial countries of the world, compiled from the latest data available.

Preliminary plans have been made for the annual publication of a *Statistical Abstract of Foreign Countries* which will be similar in character to the volume issued for the United States, but designed to cover the field of commercial statistics of foreign countries. It is felt that this new abstract will meet a very decided need, since it will bring together in one convenient volume a summary of the principal commercial and economic statistics of each country in the world.

III.—BUREAU OF STANDARDS

The work of this bureau has reference to the following matters:

Standards of Measurement.
Standard Constants.
Standards of Quality.
Standards of Performance.
Standards of Practice.

It is organised under ten Divisions:

Simplified Practice.
Weights and Measures.
Building and Housing.
Electrical.
Heat.
Chemistry.
Engineering Physics.
Metallurgy.
Optics.
Structural Engineering and Miscellanec Materials.

The objects and work of the Division of Simplified Practice have such an important bearing on the present and future of American industry and its markets that they are the subject of the succeeding chapter, entitled Elimination of Waste.

The Department publishes a *Commerce Year Book*. Each issue contains an authoritative review of the economic year throughout the world from the point of view of American industry and commerce. The outstanding facts of trade, production, price changes, and market conditions are tabulated and analysed. Summaries are given of the principal manufacturing, mining, and forestry industries, of agriculture, construction, transportation, communication, finance, prices, and domestic and foreign trade of the United States, with reviews of the commercial and industrial developments in the principal foreign countries. Numerous charts and diagrams are included.

Apart from a confidential information service on foreign trade to accredited American exporters, special bulletins are issued from time to time dealing with particular markets, commodities, or trade problems. These bulletins are now classified in three groups:

Trade Promotion Series. Substantial monographs giving results of major studies or investigations that have a more or less permanent value.

Trade Information Bulletins. Pamphlets, containing reports of immediate or temporary interest on a specific market, trade problem, or commodity.

Domestic Commerce Series. Studies relating to domestic merchandising problems, both wholesale and retail.

IV

ELIMINATION OF WASTE

IV

ELIMINATION OF WASTE

FOR a score of years manufacturing in America has been the subject of meticulous attention directed towards eliminating waste in production. Some have elected to call it Scientific Management, others Efficiency. All that matters here is to remember the point stressed by Mr. Alford in Chapter I, to the effect that engineers by their analytical methods have demonstrated their ability to master the management of production and that the engineering mind is now extending its field of operations to include marketing.

Secretary Hoover of the U.S. Department of Commerce is an engineer and has risen to his unique opportunity by identifying himself and his great department with the movement for the general elimination of economic waste.

There seems no better way to present the case for the elimination of waste than in Mr. Hoover's own words, and for this purpose the following extracts are given from one of his addresses, entitled *Reducing the Cost of Distribution.*[1]

The Department of Commerce has, during the last four years, engaged in continuous and exhaustive study of our whole distribution system. We have demonstrated in several score of different directions

[1] Delivered before the National Distribution Conference, January 14, 1925.

the practicability and success of a definite programme. We have during this time held over 200 conferences with those representing various trades and industries in advancing these ideas—practically all of them at their request. There is to-day in actual motion effective organisation co-operating with the Department in systematic and gradual elimination of such waste. Something over 100 industries and trades are developing actual programmes in various stages of attainment. They vary from a single commodity to such organisations as that which we have set up for regional action of shippers and the railways. We have thus conducted a great experimental laboratory from which we now have definite results. I have resolved to take this occasion to give to you the conclusions drawn from our experience, with the hope of their wider adoption and of your continued and increased support upon a more systematic scale.

I wish at once to make it clear that, in speaking of waste, I do not mean waste in the sense of wilful waste, but economic waste, which is the natural outgrowth of a competitive system. I do not mean the waste that any single individual can correct by his own initiative, but the waste that can only find remedy in collective action. Nor are the wastes to which I refer to be corrected by any extension of the Ten Commandments or by any legislative extension thereof. You cannot catch an economic force with a policeman.

The kinds of waste that cause costly losses may be roughly catalogued as follows:

1. Waste from the speculation, relaxation of effort and extravagance of booms with the infinite waste from unemployment and bankruptcy which comes with the inevitable slump.

2. Waste from excessive seasonal character of production and distribution.

3. Waste caused through lack of information as to national stocks, of production and consumption with its attendant risk and speculation.

4. Waste from lack of standards of quality and grades.

5. Waste from unnecessary multiplication of terms, sizes, and varieties.

6. Waste from the lack of uniformity of business practices in terms and documents, with resultant misunderstandings, frauds, and disputes.

7. Waste due to deterioration of commodities.

8. Waste due to inadequate transportation and terminals, to inefficient loading and shipping and unnecessary haulage.

9. Waste due to disorderly marketing, particularly of perishables, with its attendant gluts and famines.

10. Waste due to many links in the distribution chain and too many chains in the system.

11. Waste due to bad credits.

12. Waste due to destructive competition of people who are in fact exhausting their capital through little understanding of the fundamentals of business in which they are engaged.

13. Waste due to enormous expenditure of effort and money in advertising and sales promotion effort, without adequate basic information on which to base sales promotion.

14. Waste due to unfair practices of a small minority.

15. A multitude of wastes in use of materials, in unnecessary fire destruction, in traffic accidents, and many other directions.

These wastes are not the small change of industry and commerce. There is scarcely a step in this accomplishment of squeezing out waste which does not interpret itself in millions of dollars of annual saving.

As these wastes are enumerated they may seem to be of main interest to manufacturers and distributors. But, in the end, the public pays the bill. It is either charged into the consumers' price of goods at one end, or subtracted from the wages of producers of raw materials, such as miners and farmers, at the other end.

The work of the Department during the last three years has demonstrated that there is a vast importance to these wastes. I am disposed to agree with a recent report of the Engineering Council that they amount in many lines to 25 or 30 per cent. of the cost paid by the consumer or producer of raw materials.

They cannot all be corrected. Where progress can be made it is only through toilsome building step by step in a thousand places, and always and only through the co-operation of well-disposed trade and industry and through a wider understanding of the problems involved, and the co-ordination of effort necessary to secure results. This is not emergency work, since new wastes will constantly arise and permanent trade organisations are needed in each industry for their elimination.

In the course of this address Mr. Hoover touched on a question of purchase specifications that only an engineer would dare to face and yet only an engineer

in his position could tackle with any hope of success. He said:

> At the request of many national purchasing agencies we undertook to investigate the whole field of specifications. In this work we undertook to collect the different specifications in current use in commerce. We have so far received from the trades 40,000 different specifications now in current use. In co-operation with committees from the different trades we are endeavouring to work out some standard specifications. Behind this, of course, lies the whole process of establishing standards of quality, dimension, etc. When specifications are agreed upon with the co-operation of representatives of both the consuming trades and the producing trades, they reduce unnecessary variety, they decrease cost of production and distribution, they are a real contribution to the elimination of waste. If we ever succeed in these reforms in commercial documentation we will not only add stability to commerce and reduction of prices, but we will create unemployment in the legal profession.

The case for elimination of waste was taken further by Mr. Hoover in his Departmental Report for 1925 as follows:

> It may be worth while repeating the major directions of this effort as they were outlined by the department at the beginning of this undertaking four years ago.
>
> Elimination of waste in railway transportation by the provision of adequate facilities and better methods.
>
> Vigorous improvement of our natural interior water channels for cheaper transportation of bulk commodities.

Enlarged electrification of the country for the saving in fuel, effort, and labour.

Reduction of the periodic waves of unemployment due to the booms and slumps of the ' business cycle.'

Improved statistical service as to the production, distribution, stocks, and prices of commodities, both domestic and foreign, as a contribution to the elimination of hazard in business and therefore of wasteful speculation.

Reduction of seasonal employment in construction and other industries, and intermittent employment in such industries as bituminous coal.

Reduction of waste in manufacture and distribution through the establishment of grades, standards of quality, dimensions and performance in non-style articles of commerce; through the simplification in dimensions of many articles of manufacture and the reduction of unnecessary varieties; through more uniform business documents such as specifications, bills of lading, warehouse receipts, etc.

Development of scientific industrial and economic research as the foundation of genuine labour-saving devices, better processes, and sounder methods.

Development of co-operative marketing and better terminal facilities in agricultural products in order to reduce the waste in agricultural distribution.

Stimulation of commercial arbitration in order to eliminate the wastes of litigation.

Reduction of the waste arising from industrial strife between employers and employees.

What the country as a whole has accomplished during the past five years in increased national

efficiency in these directions is impossible of measurement. Nor does the Department of Commerce lay claim to credit for the great progress that has been made, save as we may have helped to organise a definite public movement. That movement is the result of a realisation by every group—business men, industrial leaders, engineers, and workers—of the fundamental importance of this business of waste elimination. In addition to elimination of waste, we have had the benefit of notable advances in science, improvement in methods of management and prohibition.

Thanks to elimination of waste and these other contributing factors, we can as a Nation show one of the most astonishing transformations in economic history, the epitome of which lies in the following table from the Department of Labour:

MOVEMENT OF WAGES AND PRICES, 1920-1924[1]

(1913 = 100)

Year.	*Wage Rates.*	*Prices.*[2]
1920	199	226
1921	205	147
1922	193	149
1923	211	154
1924	228	150

While wages are higher than in 1920, wholesale prices are lower. We have thus the highest real wage in our history, and we have had three years of

[1] The figures for 1925 are understood to be: Wage Rates, 238; Prices, 159.

[2] Average wholesale prices of all commodities.

remarkable price stability, which has reduced speculation in commodities to a minimum. We can hold that stability if we avoid speculation.

A comparison with similar British indexes gives striking evidence that these results are peculiar to the United States.

INDEX NUMBERS OF WAGES AND PRICES, GREAT BRITAIN, 1920-24[1]

(1913 = 100)

Year.	*Wage Rates.*	*Prices.*[2]
1920	230	283
1921	260	181
1922	200	159
1923	170	162
1924	170	174

The activity of the Department of Commerce in this field of waste elimination is indicated by the fact that since the work was launched on a large scale in 1921 some 900 group conferences have been held, practically all at the request of the industries themselves, and 229 committees are now at work on various phases of the programme.

As there is a risk of confusion between the terms standardisation and simplification, it may be helpful

[1] *Trade Association Activities*, p. 53, published by U.S. Department of Commerce, 1923. It has not been possible to obtain the figures for 1925 on the same basis, because the basis is not clear. The wholesale price index numbers for all articles as given in the *Board of Trade Journal* are as follows:

1920	313.9	*1923*	158.9
1921	197.2	*1924*	166.2
1922	158.8	*1925*	159.7

[2] Average wholesale prices of all commodities.

to quote the following definition of standardisation as formulated by the Bureau of Standards:

Standardisation is the unification of methods, practices and products involved in manufacturing and construction and in all lines of endeavour which present the necessity for performing repetition work. From the viewpoint of the buyer and seller it is the establishment of a criterion for the dimensions, quality, or performance of apparatus, materials and commodities. In its latter aspect its purpose is principally to assist in common understanding between manufacturer and consumer. In its former aspect it tends to promote scientific and engineering development and to prevent waste in manufacturing.

Standardisation is arrived at by continuous research to establish in units of measure an evaluation of the several factors which will give the maximum feasible utility to materials, devices, or processes. This also includes the establishment of allowable variations from specified measurement, liberal enough for economy of production, close enough for efficient functioning and effective interchangeabilty. In the final step the interests of various institutional interests are considered in order to obtain an acceptance of the standard in commerce.

Briefly summarised.

Standardisation involves the measurable aspects of manufacture and commerce, comprising both the industrial and business needs, specifying in units of measure the factors pertinent to an ideal quality of material, an ideal performance of mechanism, and a satisfactory efficiency of process.

Standardisation is a continuous process advancing step by step at suitable intervals. Standardisation is

thus the steady harvesting of service experience, scientific discovery and technical data for the steady advancement of industry.

The Bureau of Foreign and Domestic Commerce [1] gives the following explanation of simplification:

It may be regarded that simplification is the elimination of excess dimensions, types and qualities of a specific article of commerce by mutual agreement between producers, distributors, and consumers, such agreement usually being based on a statistical study of pertinent data and not on technical research. For example, assume a single article X is made in various sizes, denoted by *a*, *b*, *c*, *d*, and *e*. Suppose the several manufacturers of X, each of whom is making it in one or more sizes, ranging from *a* to *e*, find this variety is unwarranted by trade demand or from the standpoint of economy in production or distribution. If they, together with distributors and consumers, actually agree to eliminate sizes *c*, *d*, and *e*, and concentrate production and distribution on sizes *a* and *b*, then they have simplified the line, and sizes *a* and *b* tend to become the generally accepted or standard sizes for the article X.

In other words, standards within a field usually are first of all recognised or established before a programme of simplification is undertaken and, after its inauguration and adoption, there again evolves a new yet simplified set of standard dimensions, types, or qualities, subject to further simplification.

The Chamber of Commerce of the U.S.A. has published a statement [2] summarising the gains to be expected

[1] *Trade Association Activities.*

[2] See *Simplified Practice, What It Is and What It Offers*, p. 10, published by Bureau of Standards, 1924.

from the adoption of a simplification programme. This calls for quotation in full:

SUMMARY OF GAINS

A glance at the following list of gains, which are certain to accrue to the manufacturer, wholesaler and retailer and consumer through pursuing an intelligent programme of standardisation and elimination of excess variety in any industry, should carry conviction and inspire action.

It takes 'backbone' to tell your sales forces, in these times, that you will cut your variety, but it is being done not only by individual producers, but in entire lines through trade association co-operation.

The Department of Commerce, with an eye to increasing our world's trade, also has in simplified practice a constructive plan to help those who desire help.

I. *GAINS TO THE MANUFACTURER*

1. Less capital tied up in:
   - (*a*) Raw materials.
   - (*b*) Semi-finished stock.
   - (*c*) Finished stock.
   - (*d*) Jigs, dies, templates, and special machinery.
   - (*e*) Storage floor space.
   - (*f*) Repair parts.
2. More economical manufacture through:
   - (*a*) Larger units of production; reduced number of manufacturing units.
   - (*b*) Larger runs, less frequent change.
   - (*c*) Higher rates of individual production.
   - (*d*) Accurate and proper estimating for production.

(*e*) More effective stock control.
(*f*) Better and more simplified inspection.
(*g*) Less idle equipment; reduced amount of equipment.
(*h*) Greater ease in securing raw materials and conserving raw products.
(*i*) Cheaper handling of stock.
(*j*) Reduced clerical overhead.
(*k*) Simplified and more accurate costing system.
(*l*) Elimination of waste in experimentation and design.
(*m*) Standardised material inventories.

3. More efficient labour due to:

(*a*) Making training of employees more simple.
(*b*) Better earnings, through increased individual production, made possible by longer runs.
(*c*) Happier and more contented workmen.
(*d*) Skill increased by repetitive process.
(*e*) Less labour idle from preventable causes.
(*f*) More permanent employment as contrasted to present seasonal employment.
(*g*) Less difficulty in getting help.

4. Better service to the trade in:

(*a*) Better quality of product.
(*b*) More prompt delivery.
(*c*) Decreased quantity of sizes of packing required.
(*d*) Fewer packages broken in transit.
(*e*) Less chance of errors in shipment.
(*f*) Less obsolete material.

5. More efficient sales force.

6. Increased rate of turnover.

7. Intensified sales momentum.
8. Easier financing.
9. Fewer factory shutdowns.
10. Compels attention to individuality in those features where there should be individuality, by preventing attempts at individuality in those features where individuality is superficial and useless and where standardisation and quality should prevail.
11. Earlier plans and schedules.
12. Decrease in number of production processes.

II. *GAINS TO THE WHOLESALER AND RETAILER*

1. Increased rate of turnover due to:
   - (*a*) All live members; none obsolete.
   - (*b*) Elimination of slow-moving stock.
   - (*c*) Staple line, easy to buy, quick to sell.
   - (*d*) More effective sales force.
   - (*e*) Greater concentration of sales on fewer items.
   - (*f*) Standard patterns that are proven best sellers.
2. Decreased capital investment in:
   - (*a*) Stock on hand.
   - (*b*) Repair parts on hand.
   - (*c*) Storage space required.
3. Less stock depreciation and obsolescence.
4. Decreased overhead on:
   - (*a*) Handling charges.
   - (*b*) Clerical work.

5. Better service through:
    (*a*) Lower prices.
    (*b*) Quicker and more reliable deliveries.

III. *GAINS TO THE CONSUMER*

1. Better prices than would otherwise be possible.
2. Better quality of product through ability of manufacturer to concentrate on better design and through the reduction of manufacturing expense.
3. Better service on:
    (*a*) Complete products.
    (*b*) Repair parts.
    (*c*) Prompt deliveries.

IV. *ECONOMIC AND INDUSTRIAL SIGNIFICANCE*

The important rôle which standardisation plays in industrial evolution is not generally appreciated. Following are significant aspects of standardisation, when carried out on a sound engineering basis:

1. It enables buyer and seller to speak the same language, and makes it possible to compel competitive sellers to do likewise.
2. Better quality of product through ability of manufacturer to concentrate on better design and through the reduction of manufacturing expense.
3. It lowers unit cost to the public by making mass production possible, as has been so strikingly shown in the unification of incandescent lamps and automobiles.

4. By simplifying the carrying of stocks, it makes deliveries quicker and prices lower.
5. It decreases litigation and other factors tending to disorganise industry, the burden of which ultimately falls upon the public.
6. It eliminates indecision both in production and utilisation, a prolific cause of inefficiency and waste.
7. It stabilises production and employment, by broadening the possible market, and by making it safe for the manufacturer to accumulate stock during periods of slack orders, to an extent which would not be safe with an unstandardised product.
8. By focusing on essentials, it decreases selling expense, one of the serious problems of our economic system.
9. By concentrating on fewer lines, it enables more thought and energy to be put into designs, so that they will be more efficient and economical.

In 1921 surveys were made by the Federated American Engineering Societies of the waste in six typical industries:

Building Trades	53 %
Men's ready-made clothing	64 %
Boots and shoes	41 %
Printing	58 %
Metal trades	29 %
Textile manufacturing	49 %

The report brought out the fact that in these six industries alone there existed a preventable waste ranging from 29 to 64 per cent., and that $10,000,000,000

could be saved annually through standardisation and simplification alone.

It would be easy to cite astonishing figures of reduction in varieties due to simplification, but any representative list would take too much space as this work has been going on for years through engineering societies and trade associations independently of Government encouragement.

V

TRADE ASSOCIATION ACTIVITIES

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TRADE ASSOCIATION ACTIVITIES

IN the Foreword to *Trade Association Activities*,[1] the following remarks appear.

> To the trade association bureaus of scientific research and their committees in efforts leading to improvement of technical processes, the utilisation of wider variety of raw materials, the establishment of standards in quality and grades, simplification of the dimensions of articles, better methods of distribution, and the development of higher business ethics, we owe much of our industrial progress in many trades. Through activities in insurance, in transportation, in credit information, and in promotion of foreign commerce, trade associations have greatly benefited their members and increased national efficiency. Through activities in gathering statistics of production, consumption, stocks, and prices, where these have been made equally available to the public, they have contributed much to the stability of business and the diminution of speculation; in fact, many of the national barometers of business and credit which are vital to all business men in formulating judgment, are the work of our trade associations.

The report then sets out the activities in which trade associations take part in varying degree, viz.:

Commercial Research and Statistics.
Cost Accounting.
Credits and Collections.
Employee Relations.

[1] Published by U.S. Department of Commerce, 1923.

Governmental Relations.
Industrial Research.
Insurance.
Legislation.
Public Relations.
Simplification and Standardisation.
Trade Disputes and Ethics.
Traffic and Transportation.

The American Trade Association Executives have defined a trade association somewhat as follows:

A trade association is an organisation of producers or distributors of a commodity or service upon a mutual basis for the purpose of promoting the business of its branch of industry or commerce and improving its service to the public. Among the methods now in use for accomplishing this end are the compilation and distribution of information, the establishment of trade standards, and the co-operative handling of problems common to the production or distribution of the commodity or service with which they are concerned.

In the report to which reference has already been made a very pertinent reference to the co-operative spirit is made in the chapter on Statistics.

An added impetus to statistical endeavour by the trade association has been due to the readily acknowledged fact that disorganisation within a specific line of trade or industry usually makes for unscientific and uneconomic operation, and consequent unintelligent competitive production or distribution. Where a great many separated interests are so competing, the

general good of all, both within and without the trade or industry, may be promoted by the proper exchange of statistical data. It should be said right here that successful statistical endeavour on the part of the trade association requires the unanimous co-operation of the membership. Just as in other lines of association activity, so the individual member must give statistical data as well as take. The advantages are mutual and reciprocate with greatest return to those co-operating most earnestly.

One of the great advantages which the large producer or distributor, whether commercial, industrial, or agricultural, has over small unassociated units is that the former can compare the results obtained within his associated units and select the best performance obtained in each as a standard for others to attain. Every effort is made to bring performance all along the line up to the results accomplished in the more efficient units. In this way production and marketing costs are gradually reduced. No such stimulating knowledge is available to the small plant unless it is derived through the trade association. The compilation of cost and allied statistics within an association does not necessarily have the effect of increasing selling prices. On the contrary, it not infrequently leads to improved methods and reduced costs, which in the long run, through the operation of competitive processes, may result in lower selling prices to the public.

Where so many associations are noted for their co-operative progressive spirit it may seem invidious to make special mention of any one. It does happen, however, that the United Typothetac of America, which corresponds with the Federation of Master Printers of Great Britain, has won for itself an enviable and in some respects a unique reputation. It is

already providing instructional courses in technical estimating, and this winter has arranged for courses in Selling Printing under the direction of the Business Training Corporation, New York City. This work is part of a comprehensive marketing programme—one expression of which is the issue of a weekly marketing bulletin ; it commenced in January 1925, intended to stimulate printers to undertake more responsibility in the creation of direct advertising material.

An interesting phase of public relations on the part of trade associations is that of co-operative or collective advertising, and a list of industries utilising this form of co-operation is given in Chapter XI.

Another co-operative development of perhaps greater significance is the widespread adoption of uniform or standard cost accounting within individual trades or industries.

The origin of this movement is well set out in the following statement.[1]

Among the originally contemplated activities of many trade associations cost accounting takes a very important place. The demand for a uniform cost-accounting system in any industry almost always follows a discussion provoked by sales made at prices that appear not to include much, if any, return on capital invested. Following the premise that no manufacturer or merchant who sells at less than cost will continue long in business comes the assurance that in all probability the one who is cutting prices does not have an adequate cost system; in other words, does not know what the goods cost. Thus the demand for a 'uniform cost system' is frequently based on a desire to educate the competitor; and for

[1] *Trade Association Activities*.

that reason the thought that a uniform system must include all possible elements of cost is heavily stressed in all such discussions.

Very early in the history of the trade association movement it was found that if the study of costs was to be of any value to the industry, such costs would have to be ascertained upon a basis uniform as far as general classifications and principles are concerned. Otherwise the results could not be comparable, and would therefore be valueless. The aim is that statistics and reports emanating from the system shall be all-inclusive and of uniform composition so as to be comparable.

. . . .

A study of the history of the various associations shows that the problem has been approached from various angles but almost invariably the conclusion arrived at has been that whatever method be adopted it must be adapted to both the large and small member, economical to operate, and simple of comprehension. Particular emphasis has been laid on the small-production unit. Some associations have prepared detailed forms in connection with cost methods; others have contented themselves merely with a uniform determination of distribution of cost elements.

According to the records of the National Association of Cost Accountants, New York City, nearly two hundred industries have adopted uniform cost accounting in varying degree. The following list of ninety such industries will demonstrate how far-reaching the movement is.

Baby Vehicles.
Baking.
Biscuits.
Boilers.
Bookbinding.
Boots and Shoes.

Bottles.
Boxes.
Brass.
Bricks.
Buildings.
Canning.
Car Wheels.
Caskets.
Cement.
Cereal Products.
Chairs.
Clothing.
Coal Mining.
Coffee Roasting.
Commercial Fixtures.
Concrete Mixers.
Conveyors.
Cooperage.
Cotton Fabrics.
Drop Forgings.
Drugs.
Dry Goods.
Dyers and Cleaners.
Dyes.
Electric Railways.
Electrical Goods.
Elevators.
Engraving.
Envelopes.
Farming.
Fertilisers.
Flavouring Extracts.
Foundry Work.
Fruit Growing.
Garments.
Gas.
Glassware.
Grinding Wheels.
Hardwood.
Heating & Ventilating.
Hosiery & Underwear.
Hydraulic Machinery.
Ice.
Ice Cream.
Implements.
Iron Ore.
Knitted Goods.
Labels.
Laundries.
Lime.
Lithography.
Lumber.
Machine Tools.
Machinery.
Malleable Castings.
Meat Packing.
Mill Work.
Milling.
Music.
Optical Goods.
Paint.
Photo Engraving.
Plywood.
Printing.
Refractories.
Rubber.
Sand and Gravel.
School Supplies.
Sheet Metal.
Shipbuilding.
Shooks.
Silverware.
Stamps.
Steel Barrels.

Steel Furniture.	Tents and Awnings.
Stoves.	Truck Operation.
Tailoring.	Warehousing.
Tanning.	Washing Machines.
Taxicab Operation.	Water Works.

The Illinois Manufacturers' Cost Association, Chicago, is an instance of a propagandist trade organisation for promoting better business management. The work of the Association is sufficiently indicated by the following short list of addresses or articles published.

Budgetary Control, its Meaning and Advantages.
Wage Systems.
Preparation and Use of Financial Statements.
Appraisals and the Profit and Loss Statement.
Cost Information for the Sales Manager.
Depreciation.
To Reduce the Cost of Selling.

While a trade association in the ordinary acceptance implies a common interest in some commodity or service, a Chamber of Commerce is but another grouping of the members of trade associations. It is not perhaps necessary to discuss the precise functions of American Chambers of Commerce in general, but rather to give an illustration of the activities of a given chamber.

The Boston Chamber of Commerce is in the front rank, and the following selection of titles is taken from its publications.

Report of the Building Situation in the City of Boston.
Preliminary Report on Industrial Planning.
Budgetary Control.

VI

AUXILIARY MARKETING SERVICES

THIS chapter deals with certain auxiliary commercial services that provide, directly or indirectly, material for the compilation of market data, and should be read as a supplement to Chapter II. It is highly probable that some valuable auxiliary services have not come under notice for specialist services spring into being in America immediately the opportunity is visualised—though long labours may go to their building.

Publication Surveys, which are dealt with in Chapter IX, constitute a very important class of auxiliary service.

These surveys in the case of magazines with national circulation would hardly be possible but for the auxiliary service of advertisement analysis such as that furnished by:

The Advertising Record Co., Chicago.
Publishers' Information Bureau, New York City.

In order to compute advertisement expenditure, which is tabulated under the names of advertisers and commodities, these services in turn utilise *The Standard Rate and Data Service.* This book gives the advertisement rates for all publications. So is one service built on another.

To stimulate the sale of newspaper advertising space the newspaper publishers carry out advertise-

ment analysis through their *Bureau of Advertising.* This work, commenced in 1923, is designed to put them on an equal footing with magazine publishers as to information regarding aggregate expenditure by national advertisers.

National advertisers with their colossal total advertising appropriations are very powerful although not very numerous. Their interests, as a body, are taken care of by the Association of National Advertisers, New York City.

One of the most valuable activities in the advertising arena is that of the *Audit Bureau of Circulation*, Chicago. The following indication of its service is quoted from its own advertisements:

> The Audit Bureau of Circulation is the outcome of a sixty-year effort to induce publishers to place complete facts respecting their circulations in the hands of advertisers.
>
> To-day, by standardisation of terms and a detailed and invariable system of report, through publishers' statements issued semi-annually subject to verification annually by disinterested auditors, there are available to advertisers the *amount*, *territorial distribution* and *bases of stability* of the net paid circulation of every A.B.C. publication . . . and A.B.C. membership includes 95 per cent. of the worth-while publications of North America necessary for use by national advertisers.
>
> A.B.C. reports are saving advertisers millions of dollars annually.
>
> No advertiser now need deal with any publication which withholds the truth about its

circulation, for no such publication pre-empts any North American field.

Its present membership is as follows:

Local Advertisers		136
National Advertisers		118
Advertising Agents		180
Publishers		
Newspapers	*915*	
Magazines	*192*	
Farm Papers	*82*	
Business Papers	*243*	1432
		1866

The importance of knowing the net circulation or 'net sales,' to quote the *Daily Mail*, London) of each publication needs no argument. At the same time a purely quantitative measure still leaves room for discretion as to which medium to use for a given purpose.

There is no question that the word of the Audit Bureau of Circulation has had a most salutary effect on advertisement rates, and it is most interesting to learn how thorough the audit is. This can be inferred very readily from the following questionnaire that publishers, seeking membership, are required to fill in:

Records Necessary for Initial Audit

[The following records are considered basic for an initial audit; more complete records will be considered essential for the making of future audits.]

Circulation Records :

Have you a record of the number of copies printed each issue, covering a period of at least six months ?

Have you a record of the distribution of each issue for the same period ? (*i.e.* number of copies to mail subscribers, newsdealers, etc.).

Paper Purchases :

Have you records showing paper purchased and used in printing your publication ?

Have you invoices, cancelled checks and freight bills for such purchases ?

If your printing is done by outside printers, have you invoices covering the work ?

Mail Circulation :

Have you post-office receipts, express receipts, etc., showing the number of pounds mailed ?

Are the names appearing on your mailing list (or stencils) as 'Paid Subscribers' traceable to collection accounts or cash payments ?

Are the original letters or orders of subscribers so filed that they can be readily obtained by the auditor ?

Mailing Lists :

Have you preserved mailing lists during the period referred to in first question ?

If you have not preserved mailing lists in the past, we have to ask that you start immediately to keep at least one list for every month (in case

of weekly publications) or one for every other month (in case of monthly publications).

Do your mailing lists show date of expiration ?

If not, how do you handle expirations ?

Newsdealer Circulation :

If you have newsdealer circulation, have you a record showing the number of copies of each issue drawn by newsdealers ?

Have you trading accounts with dealers showing the numbers of papers drawn, the cash received for same ; and, if returns are accepted, the amount credited for returns ?

Returns :

Have you a record showing the number of returns from all sources ?

Cash Records :

Is all circulation cash posted, so that it can be identified as such, and total for any period ascertained ?

Distribution by Population :

Percentages must be based on an actual compilation and mail list and analysis sheets must be preserved for use of auditors.

Occupational Classification :

Percentages must be based on actual compilation and analysis sheets must be preserved for use of auditor.

The rules provide that the Board of Directors shall consist of:

11 Advertiser Members.
2 Advertising Agent Members.
2 Daily Newspaper Publisher Members.
2 Magazine Publisher Members.
2 Farm Paper Publisher Members.
2 Business Paper Publisher Members.

It will be noted that this gives the control to advertiser members whose interest lies in strict accuracy of records.

A very recent but exceedingly interesting development in the provision of Marketing Data is *Polk's National Census of Business Enterprises* for the United States and Canada, published in Detroit, Mich.

It appears that the first Polk Census was prepared in 1922 at the solicitation and with the support of the National Association of Office Appliance Manufacturers, comprising such concerns as Burroughs Adding Machine Company, Elliott-Fisher Company, International Business Machines Corporation, and other exponents of Market Analysis.

The second census (1925) is on a more ambitious scale and involved the preparation of a card index of North America's 3,000,000 businesses situated in 8,000 cities and towns.

For each city or town a census sheet has been prepared classified under nine headings:

1. Manufacturers.
2. Wholesalers.
3. Retailers.

4. Financial.
5. Professions.
6. Government.
7. Public Service.
8. Miscellaneous.
9. General.

By the aid of R. G. Dun's Commercial Register the manufacturers, wholesalers, and retailers are graded in five or six sub-divisions according to their volume of business.

Banks are sub-divided in five sections according to deposits.

In view of the value of this census for building up sales quotas it will be of interest to list the forty-nine trades under which manufacturers, wholesalers, and retailers are classified.

Agricultural Machinery and Implements.
Automobiles.
Automobile Accessories, Supplies and Garages.
Bakeries.
Bottlers.
Building Materials and Supplies.
Cigars and Tobacco.
Clothing, Men's.
Clothing, Women's.
Department Stores.
Dry Goods and Notions.
Furnishings, Men's.
Furnishings, Women's.
Coal, Coke, and Ice.
Coal and Fuels exclusively.
Confectioners.
Creameries, Dairies, and Ice Cream Manufacturers.
Drugs, Chemicals, and Druggists' Sundries.
Electrical Machinery and Electrical Contractors' Supplies.
Electrical Contractors.
Florists.
Flour and Feed Mills and Grain Elevators.
Furniture and House Furnishings.

General Merchandise.
Groceries and other Food Products.
Hardware.
Hay, Grain, and Feeds.
Household Appliances.
Jewelry.
Leather Goods and Luggage.
Logging, Lumber, and Millwork.
Machinery and Tools.
Meats and Packing House Products.
Metals and Metal Products.
Mines and Quarries.
Musical Instruments.
Novelties and Toys.
Office and Store Equipment.
Oils and Gasoline.
Paper and Paper Products.
Plumbing and Heating.
Printers.
Produce and Commission Merchants.
Publishers.
Radio Equipment.
Rubber Products Exclusive.
Shoes.
Textiles.
Unclassified.

The other classifications are:

Financial—

Banks.
Brokers, Fiscal Agents, Collections, Credits.
Building and Loan Associations.
Insurance—General.
Insurance—Life.
Real Estate.

Government—

Government—Federal.
Municipal, County and State.

Professions—

Architects.
Dentists.
Engineers.
Lawyers.
Minor Licensed Professions.
Physicians.

Public Service—

Bus Lines.
Electric Railways.
Gas, Electric, and Water Companies.

Railroads and Steamship Lines.
Telephone and Telegraph Companies.

Miscellaneous—

Advertising Agencies.
Associations, Lodges, and Unions.
Audit Companies and Public Accountants.
Barbers and Beauty Shops.
Educational Institutions.
Painters and Decorators.
Shoe Makers.
Tailors.
Theatres, Legitimate.
Theatres, Moving Pictures.
Other Amusements.
Undertakers.
Unclassified.

General—

Cleaners.
Contractors—General.
Contractors—Road.
General Trucking.
Hotels, Clubs, Caterers, and Restaurants.
Laundries.
Warehouses.

Supplementary—

Number of Farms.
Number of Motor Vehicles.
Volume of Bank Deposits.

Crain's Market Data Book and Directory, published in Chicago, is an instance of a specialist service interpreting governmental and other commercial information in convenient form for reference.

Another interesting service is that of the *Nielsen Certified Performance Surveys*. These independent reports on technical products are of use either as marketing arguments or for 'checking up' for the manufacturers' own information.

The place of recent books, in providing marketing information and in some degree data, is so large and important as to call for a chapter to itself—Marketing Literature (XIV). Reference is made in that chapter also to the group of periodicals devoted to various

aspects of marketing. In America the papers serving different industries give prominent place for the most part to marketing considerations and constitute therefore a source of specific data. The official organs of trade associations are yet another source of marketing information.

In conclusion, attention needs to be drawn to a remarkable educational service on marketing and management matters provided by the Metropolitan Life Insurance Company, New York, to their group insurance policy-holders. Their business is on so large a scale that the educational effect is nation-wide. The motive behind this work was to lessen labour turnover, which conflicts with the application of group insurance. The work has proceeded a great way beyond the initial conception. About one hundred reports, mostly condensed, have been issued. The following is a short list of typical titles.

Budgeting for Business Control.
Merchandise Service by Newspapers.
The Province of Sales Management.
Establishing Sales Quotas.
Controlling Seasonal Slumps.
Co-operative Advertising.
Merchandising Foundry Products.

VII

BUDGETARY CONTROL

VII

BUDGETARY CONTROL

OF all the many forces at work in American business to-day there is nothing so new, so arresting, and so much in men's minds as Budgetary Control. To omit reference to this movement in a book claiming to give an outline of marketing as practised in U.S.A. would be a dereliction of duty. It cannot be said, however, that Budgetary Control has been responsible in any appreciable measure for the present prosperity. There are possible exceptions in the case of certain forward-looking firms like the Walworth Company and the Dennison Manufacturing Company. By virtue of their pioneer work in this field, such firms have already derived much advantage. The movement began to find voice in the business journals in 1920, although some earlier references are to be found—perhaps the earliest in 1917 by A. Hamilton Church, in *Manufacturing Costs and Accounts*.

So much information and actual experience is available now that it would be easy to present an outline of the technique of the subject, but to do so would be foreign to the spirit of this book.

A much better and more readable alternative is made possible by the permission obtained from Mr. F. W. Shibley, Vice-President of The Bankers' Trust, New York, to quote freely from his addresses on the subject. The address delivered to the

Canadian Club of Toronto on February 8, 1926, seems to be the best one to use, the more so as it has not been printed previously.

Budgetary Control
as an Aid to Business Management

Many times I am led to wonder if it is really a fact that business is as good with us as it is represented to be, for I am known in Wall Street through my work in industrial reorganisation as a friend of trouble and in consequence I see the seamy side of Industry more intimately perhaps than the bright, colorful, reverse side of the picture.

But when I study the charts of the *Monthly Bulletin of the Federal Reserve Bank* and analyse the statistics presented so graphically in that publication, I am convinced that the great majority of fundamental conditions are favourable and point to a continuing prosperity.

. . . .

Business was never on a sounder basis in the United States than at the present moment. Raw materials and manufactured products are flowing from producer to consumer with the least congestion ever known.

Never in my knowledge were business men more alert. They are peering into the future, feeling their way into the coming days cautiously, as men act after a disaster which shook them to their heels. 'How long will it last?' is the query on everyone's tongue. The national prosperity is almost too good to be true. Not for a decade or more, however, will the business men of the United States forget the cataclysm of 1920 and 1921.

They admit freely that in the early post-war days

they were enthused with a foolish, almost fatuous, optimism which led them to the brink of disaster.

Now they are determined to be more efficient and there is much evidence to support the statement that, in the quarter century which began on January first, a new epoch was inaugurated which shall be notable for efficiency in business management and in marketing and distribution, not only of manufactured products but also those of the soil.

. . . .

Wages continue high and it is the current opinion of large employers of labour that it is a sound economic theory to pay direct labour the highest possible wage, based upon labour's co-operation in modern scientific methods for increasing output. The working man is not asked to work harder, but to work efficiently.

High wages and increased output are steadily becoming synchronised.

. . . .

The buyer is in the saddle and the seller walks.

. . . .

It is realised by thoughtful men both in your country and mine that quantity production through a sustained period of prosperity will inevitably produce saturation of home markets and in consequence foreign trade must be cultivated and developed.

But how is foreign trade to be extended in the face of the cheaper production cost of European and Oriental countries? The only possible answer is by an increased efficiency in producing and distributing manufactured products and the products of the farms.

It is evident therefore that a greater efficiency, a more thorough and comprehensive knowledge of economic fundamentals is demanded of business men than ever before, and that this demand will prove progressive.

Recognising this, manufacturers, merchants, bankers and farmers are making plans and perfecting methods to meet these severe conditions which confront them. They now know thoroughly what they must not do, having learned, at great cost, the lessons taught by the collapse of the business boom which followed the termination of the Great War.

They know that balance is an essential in business, balance as between the forecasted sales volume, the operating schedule, the working capital position, balance as between inventory stocks and inventory requirements, and, above all, balance as between income and expenses.

The problem is how best to attain a perfectly balanced business and so control its operation that it shall remain in balance.

The satisfactory solution of this problem was revealed to me very clearly through my active participation in the successful reconstruction of several important enterprises during the past five years.

It seems reasonable that if a plan of reorganisation operation exists by which a bankrupt corporation, or one operating hopelessly at a loss, can be restored to a profitable basis, such a plan should prove even more effective in a well-managed successful corporation.

In analysing the condition of the several unsuccessful corporations, with which I was particularly concerned during this period, I learned that the

reasons why they had become so seriously involved were:

1. Uncontrolled executive management and uncontrolled departmental operations.
2. Manufacturing operations based on current business outlook and not on systematic sales analysis leading to conservative forecasting.
3. Inventories excessive in amount, unbalanced and not co-ordinated with the operating schedule.
4. Working capital represented in excessive proportion by an unliquid inventory and procured in greater part by short time banking accommodation.
5. Construction of new factories paid for out of short time loans and not from the sale of stock.
6. Cost systems in which overhead was treated as a fixed percentage of direct labour cost, and which did not tie into the balance sheet and monthly operating statements.
7. Too much trusting to luck and too little to intelligent forward planning.
8. Lack of balance between the several departments of the business.
9. Dividends paid from the proceeds of borrowed capital.

You will say at once that no industrial enterprise could hope to succeed on any such basis of management and operation. I can only say in reply that great numbers of such businesses are struggling along to-day thus handicapped, and they will continue afloat until a financial or industrial squall comes, and

then go down. The sea floor of the industrial ocean is strewn with such wrecks.

Having learned the causes of industrial failure it did not require more than commonplace intelligence and ordinary common sense to draft a constructive programme of rehabilitation which should demand the following essentials:

1. Executive management directed to base its production schedule on a sales forecast arrived at after comprehensive analysis of sales possibilities for the manufactured products in each sales zone.
2. Inventories balanced to current productive requirements.
3. Working capital liquid in quality and sufficient in amount to provide for the cash requirement of the production schedule and the sales forecast.
4. A cost system checked monthly with the operating statements and harmonised with the percentage of profit shown in such statements.
5. Departmental operations controlled by the production schedule and the sales forecast.
6. New construction paid for only from earnings in excess of working capital requirements or from new capital provided by shareholders.
7. No cash dividends impairing current working capital.
8. Monthly comparison as between actual performance and operating costs as forecast.
9. Monthly correction and revision of the forecast.

I am prepared to state that such a comprehensive system of operating control of an industrial enterprise is not difficult to install and is very simple in actual practice. It does require intensive thought and common sense to conceive its splendid possibilities, and it will take a little time for an executive to sell the system to his organisation, for in nine times out of ten the system is resisted by department heads.

The Sales Manager does not like to make an exhaustive sales analysis. He is forced to put down in black ink on white paper a sales estimate for a particular period, and he knows that he will be expected to perform on the basis of his forecast. Each Branch Manager feels that the sales analysis is a high-powered searchlight directed on his division. He resents being compelled to evaluate sales prices, in brief, to project his mind into the future, think intelligently and reduce his thoughts to an intelligent opinion.

The Chief Executive himself hesitates at first to base his operating plans on a sales forecast, even though prepared by his own sales organisation. He confesses his lack of confidence in the forecast, and he will have no confidence unless he visits the several sales territories himself, evaluates each Branch Manager's and each salesman's predictions, and arrives at an intelligent personal opinion of what is going on out front on the firing-line. It is inevitable that for the first few years, during the installing of this system of control, the Chief Executive will so visit the sales territory and study intimately sales conditions. From so doing, he will become altogether a more valuable Chief Executive. He will discover that the troubles of the lone salesmen out front where the orders originate are his troubles, and sympathy and support will be born.

In time he will weld himself into the sales department and thenceforth will never free himself from looking ahead, wondering what potential buyers are thinking about and endeavouring to out-think them.

If we were not to go a step further with this system than the sales analysis and the sales forecast, a mighty stride forward in management efficiency would have been accomplished.

The Production Manager resists the system. He must prepare monthly an operating schedule based on the sales forecast, set down in exact terms the cost of materials and supplies demanded by the sales allocations, together with the direct labour cost, the indirect labour and the manufacturing overhead, item for item, in exhaustive detail. He will remember how easy it was in former days to lump those details and estimate totals as 100 per cent. or 150 per cent. of the direct labour cost. Moreover, he has to do this work himself. He cannot send a boy to mill with this grist. It is too vital a matter. He himself is responsible for the operating schedule and always in his mind is the haunting thought, that each month his operating cost forecasts will be checked by the Executive Manager item by item. Does he know how to control his operating costs? Inevitably the monthly comparison will demonstrate the matter, and if he is inefficient it will be so proven on paper in his own handwriting.

The Manager of the Purchasing Department particularly resists the system. He has on hand a quantity of excess material, semi-obsolete and obsolete stuff which he is dimly conscious of, and he realises that when he is compelled to present his inventory in the light of a definite three months' inventory requirement, accurately balanced as to parts, and to set up under the head of 'For Liquidation through Future

Operating or by Immediate Scrapping ' such inventory as is not required by the operating schedule, he will be called into the Executive Manager's office and toasted over an exceedingly warm fire.

The Advertising Manager will resist the system as he will have to confine himself to an appropriation for advertising limited to a definitely determined percentage of the sales volume as forecasted, and he will be required to allot this advertising on the basis of the facts as set forth in the Sales Analysis. In doing this he will discover, and he knows his Chief also will discover, that he has been doing too much advertising in certain much-lauded publications of national reputation when the sales analysis demonstrates convincingly that the sales are sectional. Moreover, he will be expected to check monthly the effect on sales of his advertising placements. He, too, will be under the searchlight of the system, and he knows it.

The Treasurer or Office Manager will resist the system because he, too, will have allocated to administration and general expense a definite percentage of the sales dollar beyond which he cannot go.

There is no escape from it anywhere from the Chief Executive to the office boy. There are only one hundred cents in each dollar of income, and each cent of expense must pull its fair share of the dividend load or be squeezed out of existence.

Is it not plain that a system which by the very nature of it shall make every department head his own chief cost accountant and compel him to operate his department within definite bounds, or give a very intelligent answer why not, is a system of almost incalculable worth and merit?

It will be wise, therefore, on the part of any management considering installing such a system of operating control, to realise that to make it effective it must be believed in and receive hearty co-operation from all department heads throughout the organisation. It may take time to convince these heads of departments and divisions that such a system is good not only for the business but for themselves as individuals. This can be accomplished by demonstrating to them that it will enable a good man to show his ability and bring his performance directly to the attention of his Chief Executive. It is undoubtedly true that it will reveal in the same way the inefficiency of an inferior man, and the sooner such a man is discovered and replaced the better for any business.

This system, as outlined, I have seen applied and co-operated in its application in several cases, as previously stated. The results have been and continue to be marvellous both from the bankers' and from the shareholders' points of view. I have observed its operation in very large successful corporations with results that account for many of the present high prices of industrial stocks, the earnings on which have surpassed all expectations.

The system might possibly seem to be restrictive of initiative.

It is in no sense restrictive of anything but bad judgment. It is by nature corrective. A yearly sales forecast is merely a trend line pointing out into the future twelve months ahead. It can be and must be corrected monthly, and adapted to current conditions and anticipations.

It is simply a brain on paper, which co-ordinates

the various nerve centres, the divisions and departments.

. . . .

A budget is not only a money maker, but the greatest money saver ever discovered.

It eliminates red tape and the making of useless figures by clerks and other secondary people, thus getting rid of such persons.

I repeat and emphasise that to be successful the Budgetary System must be made by the department heads of the business and checked and controlled by the executive manager.

. . . .

The executive head of a business must believe in the budget and know how to operate it before its installation can prove of value.

If the executive head of a business considers himself too important and too busy a man to spend time formulating, checking, and controlling a budget, then the budget should not be installed.

. . . .

I like to tell what Budgetary Control has accomplished under my observation.

I have seen the inventory of one corporation reduced from 170 million dollars to less than 90 million dollars, and a larger business done on the smaller inventory.

I have seen inventory turnover in several large corporations not only doubled but quadrupled. I have seen an inventory turnover of four times a year increased in a single year to thirteen times.

I have seen a corporation so hopelessly involved in 1921 that its bankers dared not let it go into bankruptcy, pull out under a new management and Budgetary Control so that it paid all its debts in 1925, and earned better than 10 per cent. on its common stock.

I have seen a company so heavily indebted to the banks that its stockholders threw up their hands, requested the banks to secure new management and attempt to save a portion of their equity, transformed into a most successful operating company in less than two years, by efficient management and Budgetary Control, with money on hand at the present moment to retire all its banking indebtedness.

I have seen a corporation which lost $29,000,000 in three years prior to 1924, transformed into a successful corporation earning in 1925 about $2,000,000, simply by the injection of a new president and Budgetary Control.

. . . .

The banker is bound to respect and esteem the Budgetary System. He feels altogether more confidence in a customer who knows all the time where he stands and where he is going than in one who moves forward without plan or forecast, simply doing the best he knows how.

As a pendant to this strictly non-technical statement, it will help to quote the following rather more technical summing up,[1] by Howard Coonley, President, Walworth Company:

[1] 'The Development of Industrial Budgeting' in *The Annals of the American Academy of Political and Social Science*, May 1925.

Goals of Budgetary Control are threefold:

(1) As a sales guide to provide an accurate forecasting not only of customer demand and to use that forecasting not only as a basis for production, but also as a foundation for a merchandising campaign.

(2) As a production guide:

(*a*) To provide an intelligent programme of manufacture which will insure a supply of merchandise in advance of demand, while keeping inventories in proportion to that demand.

(*b*) To prevent fluctuations of employment which tend to decrease efficiency and contentment.

(*c*) To arrange for maximum production in the season when efficiency is at its highest point and the labour supply is ample.

(3) As a financial guide:

(*a*) To estimate the amount of working capital that is permanently required by the business.

(*b*) To indicate the amount of outside money that should be arranged for to take care of peak investment.

To assure proper budgetary procedure there are 'so three fundamental necessities:

(1) That there be a sound plan of organisation with the authorities and responsibilities of organisation well defined and adequately maintained.

(2) That the records be so established as to place definite responsibility on each unit of organisation.

(3) That the business budget itself be a forecast of future accounts in terms of organisation responsibility.

It will be noted that the computation of the sales quota or forecast is the foundation-stone of a budgetary control system, and to stimulate interest it seems desirable to give some illustrations of how this is done in particular cases.

The first two cases are taken from a report by the Metropolitan Life Policyholders' Service Bureau on the Sales Budget.

I. A representative automobile company gives the following information as to its methods of determining sales quotas :

(*a*) We consider past sales performances as an important element.

(*b*) And give consideration to the present and predicted industrial and economic conditions.

(*c*) We subscribe to the Harvard Statistical Service and one other, and also obtain periodical reports from the Federal Reserve Banks and other banking institutions throughout the United States publishing reports on business conditions. These reports are noted by our factory executives and also by our district managers who have charge of the field supervision of our distributing organisation.

(*d*) To us the following specific kinds of information are extremely helpful :

(1) Population is a very important element, especially in determining the sales possibilities for any given territory, such as a township, county, or municipality, or a group of any of these.

(2) The number of users is a very important element in the automobile industry. We are very fortunately situated in being able to obtain the number of users of any make of motor carriage or truck arranged by country, state, or other political subdivision.

(3) The element of occupation does not enter into our studies except possibly in a very casual way.

(4) The element of climate must and does receive consideration. Where the climate is more severe at certain seasons of the year, we must reckon with a seasonal decline in business.

(5) The number of enterprises does not enter into our studies; however, in place of this we use data that we term liquid wealth, which consists of the values of agricultural and manufactured products for each county as obtained from the United States Bureau of Census. We further divide the summation of these two items by the population, which gives buying power per capita. Of course, there are other items that could be considered, such as income-tax returns, assessed valuation of property, bank clearings, etc.; but we feel that the item of liquid wealth is most reliable

as it indicates developed wealth available for expenditure or reinvestment.

6. Number of readers is not used by us except in determining upon an advertising programme in the selection of periodicals in which to purchase space.
7. Local conditions.—It is very necessary to consider local conditions, especially where a community is dependent upon a very limited number of industries such as in an agricultural, mining, or other specialised region.
8. The wealth of the consumer is considered in connection with retail sales activities—that is, in compiling lists of prospective purchasers.
9. The character and volume of competition receives very careful investigation and study.
10. Facilities for distribution also receive very careful study. We plan to have every portion of the United States and Canada adequately covered by local distributors, dealers, and salesmen. In addition to this we have distributors in thirty-two foreign countries, and are developing this organisation as quickly as conditions warrant.

II. Through the courtesy of H. D. Shute, Vice-President, the following information is made available concerning the methods of the Westinghouse Electric and Manufacturing Company in establishing sales quotas:

We have eight main headquarters sales departments, and in the United States four-

teen district offices. Our fiscal year begins April 1.

Just prior to the beginning of the fiscal year every one of our 900 salesmen makes a survey of the field in which he operates, talks with his customers, and then outlines the sales that he expects to make in each of the eight main lines of our product. This preliminary study having been made, it is reviewed, first, by the salesman's division manager, second, by the district manager, and third, by our headquarters supervisory staff. The figures submitted by the individual salesmen may be accepted or may be altered after this review. The final result is the quota of sales for the new fiscal year. A summary by each of the fourteen district offices is sent in to headquarters. From these district office sheets each headquarters sales manager totals the principal sales in each of the lines handled by him. The figures thus obtained are a guide to us in making our plans for sales campaigns, for general expenditures, for advertising, etc. etc.

In determining sales quotas our past business performances are of course some guide in checking over our quota figures, but the record of previous years is not used to a very great extent in setting our quota. Existing conditions both in our plant and in the industry generally are our main guide.

We study very carefully various forms of statistics that are published, making use, among others, of the Harvard figures, the chart of money supply, statistics as to the stock market, the average market quotations of a selected group of

industrial stocks, and the American Telephone and Telegraph Company's statistics as to trend of business.

> In making our study of expected business we have recourse to the figures for each district, showing the population under electric wires, and we naturally also consider the character of the competition which we will meet.

The Dennison Manufacturing Company find that in the conditions of their business the most satisfactory way of analysing their market so far as major important industries or trades are concerned is to have a special investigator calling on each and every firm listed with a carefully prepared questionnaire. Salesmen were not found to have the right training for this work.

They utilise two other methods alongside with this: first, to analyse the cost of selling in each trade or class of business so as to be able to discriminate as to what markets are worth while; and, secondly, by sample tests to determine the probable market for any given commodity by communities.

The Burroughs Adding Machine Company have developed a much more fascinating method. They seem to utilise the law of average to very good purpose.

Firstly, they determine a grand total national sales quota for the year based on past performance and current business conditions. This quota is then apportioned, according to the percentages from previous experience, between the groups in which the Company's sales records are kept—such as banks, manufacturers, wholesalers, retailers, etc. The sales records give not only total value but the numbers of each style of

machine, so that the group quotas can be interpreted, again by using percentages from previous experience, in terms of particular styles of machines—an obvious necessity for preparing the production budget, but having also an important sales quota significance, as will appear.

The next stage is to utilise *Polk's National Census of Business Enterprises* as described in Chapter VI, and work out a formula for distributing the group quotas over the whole market. The formula, once established on a national basis, can then be applied to each sales district, of which there are 175. The census for each sales district, which may not follow state or county boundaries, is built up from the census sheets for each town and city in the area.

The group national quota having been allocated to districts, the group district quotas can be allocated by the same process to individual towns or cities. When it is remembered that the quotas are in terms of both sales value and styles of machine, it is easy to see that each salesman can be given a very definite quota.

The point is that the salesman should sell according to that quota in all respects as nearly as possible—both as to groups and areas. This does not mean that new markets may not be explored—suitable methods of selling are adopted to see to this—but it tends to insure that the production budget as to styles of machines is not thrown out of balance, and, what is perhaps more important, that the markets previously won are not being neglected and are being held as strongly as ever.

A real virtue in this scheme is that a common datum line is established for each district and each salesman according to the characteristics of the area, and results can be fairly compared. This condition is utilised to develop a spirit of emulation amongst the selling force throughout the country.

VIII

THE MARKETING COUNSEL

THE reason for choosing the title of The Marketing Counsel rather than the almost universally employed term of The Advertising Agency is not far to seek. Just as the doctor of to-day is not comparable with the medicine-man of primitive tribes, so the advertising agent of to-day has marched far since he originally merely bought advertisement space in bulk and retailed it to his customers. Perhaps he would justify the retention of his first name by pointing out that, so far as names go, the primitive medicine-man has but evolved into the doctor of medicine.

The purpose behind the use of the term Marketing Counsel is not, however, to advocate a change of name, which might be thought an impertinence—advertising agents anywhere are well able to look after themselves. It is rather to help the layman to visualise the place in the marketing process which the advertising agent is now being called upon to occupy.

Advertising agencies in U.S.A. are paid ordinarily a commission by the publishers of advertisements placed by the agencies. Obviously the issue is not the amount of the commission but the value of the service rendered in exchange. The effect of competition is to compel the rendering of a costly service in market analysis as well as the preparation of copy and the conduct of the routine attendant on the placing of the advertisements.

It will be of interest to mention the names of some of the agencies which are known to maintain an organised commercial research or market analysis department, viz.:

Barton, Durstine & Osborn Inc.	New York City.
George Batten Company Inc.	New York City.
The Blackman Co Inc.	New York City.
Campbell-Ewald Company.	Detroit.
The Erickson Co	New York City.
Erwin Wasey & Company.	New York City.
McLain-Simpers Organisation.	Philadelphia.
Frank Seaman Inc.	New York City.
J. Walter Thompson Company.	New York City.

In some agencies the principals do this important work themselves, so that the above list should not be read as drawing an invidious distinction between agencies operating on a high professional basis and those not so operating.

The great majority of American manufacturers seem little disposed to support the payment to the agent of fees on a professional basis. On the other hand, at least one firm of advertising agents has successfully adopted a method whereby all services rendered are rated on a fee basis. If the commissions received do not meet the fees chargeable the client undertakes to make payment accordingly. Up to a point this makes the agency's remuneration independent of the volume of advertising recommended.

This arrangement may be said to hinge entirely on the ethical standards of the agency, but if that is a criticism it applies no less to the straight commission basis.

The method does, however, meet the position prior to the commencement of advertising.

Ordinarily American agencies charge the standard commission on printing bills. More often than not, so far as preparation of copy for direct advertising is concerned, this percentage is inadequate unless the volume of printing is large. The fee method above mentioned meets this case also.

This is not the place to enlarge on the qualifications or training necessary to the efficient advertising agent. It is clear, none the less, that the very high standards required in modern market analysis and the necessity for weighing up all the related factors of production and administration are giving an opening to the industrial engineer to function as marketing counsel, a title actually adopted in certain cases.

Sometimes the marketing counsel retains his independence by not placing any advertisements or writing any copy, leaving such matters of strictly advertising technique to the advertising agent. Organisations that fall into this category are:

R. O. Eastman Inc.	Cleveland;
Raymond B. Prescott	New York City;
Percival White	New York City;

while there are other competent bodies such as:

The Business Bourse	New York City;
Business Research Corporation	Chicago;
Dartnell Corporation	Chicago;

that prepare and publish on special terms reports on specific industrial and marketing issues.

R. O. Eastman, who describes himself as an independent market analyst, is quoted in *Market Analysis* by Percival White as having formulated the following principles upon which the independent market analyst should act:

> The substitution of definite facts for guesswork as the foundation for sales and advertising plans.
>
> The importance of proving a plan before putting it into widespread operation.
>
> The necessity for proving the merit and marketability of a product before spending a fortune in the perfecting of it.
>
> Recognition of the need of sound policies, correct prices, and a carefully selected and thoroughly trained personnel, and that these must, as a rule, precede effective advertising.
>
> Recognition of the fact that selling needs as much in the way of control and scientific management as does production.

Philip S. Salisbury, Vice-President of the Dartnell Corporation, writing in *Sales Management*, says agency research for the client should include:

> Organisation of your marketing department.
>
> Sales policies and practice.
>
> The product itself, including packing, labels, enclosure, etc.
>
> Your salesmen and the training they should have in merchandising any advertising you may do.

The jobber—how he feels towards you and your product.

The retailer—whether he is working for or against you. Does he want to sell your product? Does he know how to sell it?

Sales promotion through store display, window display, booklets, catalogues, house organs, circulars, sales letters, etc.

The consumer—what he really thinks about your product; detailed reasons why he buys it or fails to buy it.

The market that is available to you; the extent to which you are covering it now, and how to get more distribution, and more business from your present customers.

How to reach this market most effectively: if by advertising, what kind of advertising—newspapers, magazines, bill-boards, car cards, trade papers, etc. What media? What size?

How much and how often?

An exhibit showing layouts (the rough plan) for advertising, if it is recommended, with artists' dummies of such things as advertisements, folders, inserts, catalogues, signs, etc. This will make a graphic presentation of the recommendations in the survey, and show the agents' conception of the form in which selling arguments should be presented to the consumer and to the trade.

IX

PUBLICATION SURVEYS

IX

PUBLICATION SURVEYS

REMARKABLE work is being done by publishers of magazines, newspapers, and business papers in making marketing surveys and rendering marketing service. The fact that it is done with the obvious object of selling more advertisement space does not detract from its usefulness.

Of course there is another side to this strenuous propaganda for more and more advertising in that it may induce competing firms to spend more than the results justify. There may, or may not, be a wider warning, for instance, in the decision reached among the Pittsburgh newspapers to discontinue marketing services and the attendant competition for advertising.

In the magazine field the shining example is the Curtis Publishing Co., publishers of the *Saturday Evening Post* and other magazines. To-day the presiding genius of their Commercial Research Division is C. C. Parlin, who spends a great deal of his time addressing Sales Conventions and Boards of Directors. Thanks to the company's effort in one way and another, but primarily, one imagines, through the work of the Commercial Research Division, each page of advertisement in the *Saturday Evening Post* is comparable in price ($7,500) and circulation (2,600,000) with the front page of the *Daily Mail*, London. How far the selling value of these advertisements justifies their cost is a matter for individual

advertisers to appraise. Certainly to persuade an advertiser to take a full page in the *Saturday Evening Post* is a good day's work for an advertising agency. So that between the skill of presentation by the publisher's staff and the attractiveness of the commission to the advertising agency, the advertiser needs to exercise a searching judgment of his own before yielding to the allurements of advertising on this grand scale.[1]

The advertisements in this magazine have reached so high a standard that all business men with the least interest in selling take it avowedly for its advertisements.

Space does not allow a proper explanation of the thorough-going character of the statistical information made available for advertisers. The population characteristics of every city and town, almost of every village, are tabulated so as to present as many measures of buying power as possible. Out of this information the Curtis Co. go the length of publishing, each autumn or fall, a Sales Quota book covering the whole of the United States by communities. Obviously these quotas can apply only to nationally consumed commodities.

The Crowell Publishing Co. perform a somewhat similar service for advertisers in their magazines, as probably do other publishers.

In the newspaper field the number of papers carrying on a highly organised marketing service is considerable. The following list is probably repre-

[1] Advertising in America is indeed on the grand scale when one corporation can make an advertising appropriation of $10,000,000 for 1927.

sentative, but it is not submitted as being comprehensive:

Baltimore News.
Boston Herald.
Brooklyn Daily Eagle.
Buffalo Evening News.
Burlington Free Press.
Chicago Tribune.
Cleveland Plain Dealer.
Cleveland Press.
Columbus Evening Despatch.
Desmoines Register Tribune.
Detroit Times.
Indianapolis News.
Janesville Gazette.
Kansas City Star.
Milwaukee Journal.
Minneapolis Tribune.
Muskogee-Phœnix.
Nebraska Daily.
New Orleans Item.
New York American.
New York Evening Journal.
New York Globe.
New York Journal.
New York News.
New York World.
Oklahoma Daily League.
Oklahoman Times.
St. Paul Despatch—Pioneer.
St. Louis Globe—Democrat.
St. Louis Post—Despatch.
Tampa Daily Times.
Wichita Beacon.

As to the scope of the service, the *Chicago Tribune* and *Milwaukee Journal* may be taken as typical of the

more progressive papers in a world where progress is the order of the day.

The *Chicago Tribune* is housed in a building which the author ventured to describe in the visitors' book as the New Statue of Liberty. It stands a sentinel on the shores of Lake Michigan, and would seem a fitting monument to those ideals for which the newspaper should stand and for which there is no reason to doubt that the *Chicago Tribune*, amongst others, does stand.

In its 1926 *Book of Facts* the *Chicago Tribune* marshals in telling array the evidence of its influence and its policy. It is not necessary to attempt to dissect the interrelation of circulation and service so much as to visualise in some measure the character of the services provided to its readers and its advertisers.

The merchandising service has behind it a policy of significance to advertisers everywhere, viz.: 'It is a waste of money to advertise a product distributed through the retail and jobbing trade until that trade has been supplied with merchandise to take care of the consumer demand when created.'

To quote its own words, The Chicago Tribune Merchandising Service does not sell goods for any manufacturer, but it does furnish the manufacturer with advice and knowledge with definite systematic plans for covering the Chicago territory; expert assistance is given in the hiring of specialty salesmen, the organisation of a sales force, the instruction of salesmen in the use of Tribune advertising portfolios, the routing of salesmen among the thousands of

Chicago dealers, the checking of their work each day, the solving of problems raised by jobbers and retailers, and similar work.

It is of interest in this connection to quote the following approved practice for merchandising service as formulated by the National Association of Newspaper Executives in conjunction with the American Association of Advertising Agencies.

The legitimate functions of a newspaper merchandising and service department are:

> *First.* To study the local market and trade territory and be able to report intelligently thereon for both local and national advertisers.
>
> *Second.* To furnish such information for prospective advertisers and to make investigations which may be general in scope and applicable to many accounts, but to insist that the identity of the proposed advertiser be made known before reporting information compiled on a specific line.
>
> *Third.* To endeavour to educate the dealer in better merchandising methods and to insist that advertised goods be furnished customers rather than 'just as good' substitutes.
>
> *Fourth.* To encourage adequate merchandising by supplying data, maps, route lists to the trade for the use of salesmen or the manufacturer or advertiser who has made a *bona fide* contract for advertising space.
>
> *Fifth.* To decline requests for service that are clearly not within the province of a newspaper, such as selling goods or other canvassing, or the payment of bills for printing and postage of letters, broadsides, etc.

The *Chicago Tribune*, in its efforts to educate the dealer on the lines indicated as the third function above, has for more than ten years been publishing monthly a dealer paper called *The Co-Operator*.

Turning to the *Milwaukee Journal*, this newspaper makes a feature of a yearly Consumer Analysis. The analysis [1] is based upon personal interviews with three per cent. of all Greater Milwaukee families. The results are published under the following heads :

Grocery Products	*46*	*classifications.*
Tobacco Products	*4*	"
Musical Instruments	*3*	"
Radio	*6*	"
Automobiles	*Automobiles* *Average Bills, Mileage.*	
Cosmetics	*11*	*classifications.*
Wearing Apparel	*7*	"
Shoes	*6*	"
Pens and Pencils	*2*	"
Household Appliances	*6*	"
Examination of Eyes		
Patronage of Laundries		
Building and Equipment	*4*	"

It appears that the data on which these percentages are built are all obtained by kindness—in the form of a $2.50 parcel of groceries to each of the 10,000 individuals who volunteer to report on the various matters. Under each classification of the respective products consumption is stated by brands or makers'

[1] The minute detail that is given will be understood from the information that the percentage of Greater Milwaukee women, 18 years of age and over, who wear their hair bobbed is 59.66, while the percentage of those wearing extra hair is also stated.

names and comparison made with that of the preceding three years.

In the field of business papers, the McGraw-Hill Co., publishers of engineering and other trade journals, established in 1920 an Industrial Marketing Service which has proved of remarkable value to industrial advertisers. The service is available to manufacturers, advertising agencies, and to banks without charge.

By way of indicating the character of this service it will be convenient to quote briefly from a memorandum issued by the company.

> In every sale to Industry there are four cardinal principles to be followed before the sale is consummated. Each principle represents an essential step in breaking down the barrier of sales resistance surrounding the industrial buyers.
>
> These principles are not at all mysterious. They are:
>
> 1. The worth-while markets must be determined.
> 2. Buying habits of these markets must be analysed.
> 3. Channels of direct approach to the buyers must be selected.
> 4. The strongest possible appeal to these buyers must be prepared.
>
> When these principles are adhered to and applied to the specific problems of any manufacturer they automatically result in policies which bring high sales efficiencies.

It is of interest to note that it proved convenient to divide Industry into two basic groups.

(1) *Service Industries.*
Mines and Quarries.
Public Utilities.
Power Plants.
New Construction.

(2) *Manufacturing Industries.*
Process Industries.
Mechanical Industries.
Textile Industries.
Lumber Industries.
Miscellaneous Industries.

The memorandum proceeds :

For the manufacturer whose products can be sold to every field Industry offers a maximum sales objective of approximately 115,000 worth-while units.

Mines and Quarries	11,400	Units.
Public Utilities	26,680	,,
Power Plants	16,000	,,
Construction	7,500	,,
Manufacturing—*Class A Prospects.* Plants employing over 50 workers. These plants produce 78.3 per cent. of all manufactured products.	28,842	,,
Manufacturing—*Class B Prospects.* Plants employing from 21 to 50 workers. These plants produce 9.8 per cent. of all manufactured products.	25,379	,,

These 115,000 units represent more than 95 per cent. of the production and income of all industry.

The inquiry into the buying habits of industry, conducted by Ernst & Ernst on behalf of the McGraw-Hill Co., revealed amongst other things :

Superintendents and works managers are the leading buying influence for industrial equipment. General managers are next ; then the chief engineers and engineering departments. The men in these groups which compose the 'operating staff' are clearly men with direct production responsibilities who are accountable for results that can be secured only through the proper application of machinery and equipment. In the average plant two men control the buying.

It was found that the methods or channels used by industry to keep in touch with developments were as follows :

Salesmen and Agents	used by	27	per cent.
Inspection trips, convention exhibits	„	25	„
Manufacturers' Literature	„	29	„
Industrial Publications	„	69½	„

It will be understood that some businesses indicated reliance on more than one channel, so that the percentages quoted total to more than 100 per cent. With regard to the use of industrial publications, the percentage shown is to be interpreted as applying to publications as a whole, and not exclusively to either reading matter or advertisements.

Finally, the investigation demonstrated that the

industrial buyer wants performance facts. He wants to know what the product will do rather than how it is made. He wants to know all possible uses of the product. He wants the manufacturer to describe installations, to give working data and cost data, and to describe new features from the standpoint of the service they give.

In other trades there are business papers rendering a marketing service. For instance, in agriculture there is *The Farmer* and *The Farm Journal*.

Then there is the *Editor and Publisher*, which issues annually a very comprehensive *Market Guide*, portraying trading conditions in each of the 1,400 cities and towns in the United States and Canada where daily newspapers are published.

X

ADVERTISING

ADVERTISING may be said to comprise two distinct objectives—namely, institutional publicity and printed salesmanship.

In America publicity is more ordinarily understood as meaning editorial publicity only. Much so-called advertising is really institutional publicity in that it aims at creating prestige rather than directly selling commodities.

There are some who would have the term advertising cover the whole process of marketing. Because of this conception they proceed to make claims for advertising that tend to mislead the public.

There is a nearly parallel case of confusion in speaking of the high costs of distribution, when the whole marketing process is meant; for distribution suggests the physical arrangements alone.

It may be there are good arguments against the use of the word marketing as employed here, but, if there are, they would apply probably to any word originally coined to express some business condition that has been outgrown. Certainly it is hard to believe that merchandising, for instance, would be a better word for our purpose than marketing, though it does seem to epitomise well enough the function of the retailer.

This digression is intended merely as an appeal for a critical attitude towards the function of advertising

and as an explanation of the discussion of the subject in two parts rather than as a whole.

It would be a disservice to the reader, however, if any attempt were made to discuss the economics of advertising under two headings. Particularly would it interfere with the use of certain quotations from American sources on which the value of the chapter depends.

In 1925 a report on market analysis was prepared for the National Distribution Conference under the auspices of the Chamber of Commerce of the United States. This document is in pamphlet form, and will not have had the circulation that it deserves outside the United States nor, judging by public library indexes, even inside. The following is an extensive quotation from this report.

The Place of Advertising in Distribution

In an analysis of the function of advertising in economic distribution, it must, of course, be assumed that such analysis is based fundamentally on the competitive conditions which actually exist.

. . . .

Is advertising an economy under the present system? Does advertising create demand and make sales more economically than such demand could be created and sales made by the purely personal system? Does the use of the printed word, the use of various advertising media, prove an economy in distribution? Can goods be sold more cheaply by advertising alone —or, as is more commonly the case, by the use of

proper advertising to back up the salesman—than through the efforts of the salesman alone?

Does Advertising Justify Itself?

In studying this subject there are, in the present scheme of things, two viewpoints that must be taken into consideration:

1. Does advertising benefit the public?
2. Does this advertising benefit the advertiser?

Broadly speaking, it would seem that where the advertising creates an increased demand for products of a certain class, a wider distribution of such products —in other words, makes new business, bringing about lessened distribution costs and lessened production costs owing to increased demands—there can be no doubt as to the value of such advertising, not merely to the concerns that pay for it, but also to the public that consumes the goods.

In fields where there is an absolutely limited market, where no amount of advertising can increase the consumption, the benefits of advertising to the public are not obvious. On the surface, it would seem that an individual manufacturer might often find that his advertising was profitable to himself by reason of the fact that it took the business away from some other manufacturer; at the same time, such advertising might not seem to be profitable to the public, which would be obliged to pay the advertising costs.

But we must nevertheless take aggressive salesmanship for granted. Under competitive business, each manufacturer is going after all the business he can get. The cost of his product actually depends in a very considerable degree on his output. He must

have distribution, and such distribution is going to be more or less expensive. The problem, then, is will these distribution costs, which cannot be eliminated, be increased or decreased by advertising?

Advertising has aided materially in building up the great automobile industry in this country. It has held forth the advantages of quick and easy and always-at-your-command transportation. It has offered the lure of seashore and mountain and winding road. It has expatiated on the thrill of speed and the healthfulness of fresh air. It has made people want automobiles. It has made them want them in such tremendous quantities that their development in the last quarter of a century has been one of the world's wonders. By increasing the market, advertising has unquestionably lowered both the selling cost and the manufacturing cost for the car manufacturer. In the healthful competition that has resulted, the public has profited tremendously in that cars now sell, quality for quality, at a mere fraction of what they sold for a few years ago. And all this in spite of the increase in the cost of raw materials and in wages.

On the other hand, it might be argued that advertising may pay the individual advertiser at the expense of some other less successful advertiser, and at the expense of the public. This great automobile business has developed a tremendous market for gasoline. Large amounts have been spent by manufacturers of gasoline in advertising their products, without this advertising resulting in the consumption of one additional carbureter of that fuel. Great companies have doubtless found this advertising necessary in maintaining and increasing their percentage of the total gasoline business. Small companies have found advertising necessary in order to get any such business at all.

On the face of it, this might seem to be a waste, but with the advertising eliminated it would simply mean more intensive personal selling. The sales force would probably be so increased as to reach the individual consumer rather than only the pump-station distributor as at present. Under such a system the cost of the salesman alone would very likely be far greater than the present cost of salesmen plus advertising; and, too, there would, with no advertised brands to protect the public, be an increased output of the inferior 'bootleg' products that spell trouble for the motorist.

An illustration of this is the sale of food products in packages with a responsible name behind them, which practice guarantees to the consumer a uniform product of quality. Quality is assured in much advertised products for the simple reason that inferior goods do not bring re-orders and it is therefore unprofitable to advertise them.

Apparent Competition in Advertising

However, there are many cases where the advertising, on the face of it, appears to be purely competitive, but it is really widening the market and creating new and oftentimes good habits on the part of the public. The plumbing advertising, with its enticing porcelain tubs and artistic tile, has made us a cleaner nation. The cereal advertising has changed our breakfast habits and been good for our digestions, and the tremendous amount of tooth-brush, tooth-paste, tooth-powder, and tooth-wash advertising is keeping down our national dentist bill. Such competitive advertising has given the male portion of our population smoother chins, and has taught us to fit our apparel to the temperature. It has brightened our homes, and set higher standards of living.

In the study of this whole subject it has been difficult to tell, where there have been successes and where there have been failures, the part that the advertising has played in these successes and in these failures. Other factors were always involved. It has not been very difficult to get data regarding the outstanding advertising successes. The advertisers themselves and their publishers, all concerned have been glad to tell about such successes. When General John A. Logan was defeated for the Vice-Presidency, a reporter asked him for an interview. He refused to talk, saying only, cryptically, 'The public never follows the beaten horse to the stable.' It has been hard for your committee to get any data from the beaten horses.

Waste in Advertising

The sources of waste in advertising would seem to be the following:

1. Chiefly the lack of co-ordination between advertising and the other phases of the business—production, distribution, finance.
2. Inefficient use of space. Too much or too little. Failure to study space requirements and repetition requirements.
3. Poor and ineffective copy.
4. Use of wrong media.
5. Excessive use of advertising in extremely keen competition.

No attempt has been made to obtain specific data regarding all these sources of waste, as it is very much a matter of individual opinion. Copy which to one may seem poor, may seem effective to another.

Space which to one may seem large for the purpose, may seem to be inadequate to another.

It is also practically impossible to obtain information regarding distribution and production methods within the individual companies to throw light on the lack of co-ordination between advertising and the other phases of selling. The point at which competitive advertising becomes wasteful must also be a matter of individual opinion.

It is in all probability not always the most obvious waste that is in reality the greatest waste.

One obvious type of waste is that which arises from a lack of accurate and complete information, or from the exercise of poor judgment with respect to markets. Such waste results from unduly aggressive selling of advertising, inadequate study of markets, and imperfect co-ordination of advertising with other selling activities. Waste of this kind probably never will be entirely eliminated, but as knowledge of markets and media improves it can be expected to decrease.

While your committee has in its hands no inconsiderable data as to the waste in this kind of advertising, it is its feeling that the less obvious wastes are in the aggregate quite as large.

Causes of Waste

Failure of the Sales Department and the Advertising Department to function together, letting the advertising outstrip the distribution or the distribution outstrip the advertising, failure to use the right selling appeal in copy are among the things that are highly wasteful. Likewise, there is waste in overloading the dealer with 'advertising helps,' which is almost as bad as

not giving him sufficient of those helps to enable him to tie in with the advertiser's national campaign.

A thousand different parts may be made, each in quantities, to complete certain machines that a manufacturer is putting on the market. He makes drawings, then working models, then corrected drawings, then tools for the making of the parts, and as they are completed—each ready to function in the finished machine—the parts are assembled and become a working whole.

To prove an economy in selling, advertising must be similarly planned for. Local campaigns, the working models, must be tried out. The whole advertising plan must be thought of, not merely as an advertising plan but as part of a selling plan. Then, and then only, will it work with little waste.

. . . .

As a result of its studies, your committee reports that there is a decided value to advertising in economic distribution. Careful research reveals, however, that there is no greater fallacy than that brought out in the Broadway skit, 'It Pays to Advertise.' Such a statement needs a great deal of qualification. It does pay to advertise the right goods in the right media and in the right way. Advertising, unfortunately, is not an exact science. A merchant who is about to sign a lease for $25,000 a year for a store will not sign such lease until he is sure that the store is on a street which will bring by its doors the very class of people who are likely customers for the goods he has to sell. Yet the same man is oftentime careless in the selection of his advertising media in which he is spending an amount of money in excess of his total rent. He does not make sure that the papers he uses, or the other advertising methods that he employs, reach the people who belong to his particular clientele.

The superficial talk to the effect that advertising pays has made advertising too haphazard, while the lack of exact data has been a matter of distinct disadvantage to those who desired to study the problem before making their advertising appropriations or deciding upon how those appropriations should be spent.

The advertising successes are such as to encourage greatly its further use. There are large wastes in advertising, but at present it seems beyond the power of this committee to get any exact data regarding such waste. Such information as is available, however, would indicate that properly planned and placed advertising has genuine economic value, not only for the user of such advertising by reason of its aid to him in distribution, but it is of genuine value to the public itself because the public, to a large extent, shares in the economies which it brings about.

Specific Results of Advertising

From the data available, it is hardly possible to make a non-disputative demonstration. Nevertheless, we believe that it can safely be said that the use of effective advertising by national distributors as a general rule produces one or more of the following results:

1. Decreases the cost of selling.
2. Lowers the cost of production on account of increased volume.
3. Lowers prices to the consumer and thereby raises the standard of living.
4. As a by-product, aids in the education of the general public.

Data have been obtained from a number of

national advertisers to show the effects advertising has had upon the cost of production and the cost of selling, and prices to the consumer. It is realised that changes in business conditions during the past few years and changes in distribution policies within the individual companies make it very difficult to eliminate the variable factors and to prove the effects of advertising. The data which have been collected, however, seem to indicate conclusively that the first three results named above are brought about by advertising.

In addition to the four results obtained by advertising which have been mentioned above, advertising often has the following beneficial effects for the manufacturer, dealer, or consumer:

1. Advertising aids in stabilising production.
2. Advertising aids in standardisation of quality.
3. Advertising aids in the simplification of products. (Elimination of unnecessary items in the line.)
4. Advertising helps to prevent fluctuation in prices.

A slightly different 'slant' or angle of thought is embodied in the following quotation from *Profits*, by Foster & Catchings.

We must not overlook the fact, moreover, that these efforts of competitors to sell their goods are properly called 'Wastes' only if the privileges of choosing amongst competing products, and the improvements in the products themselves that result from this competition, are not worth paying for. . . . Here we seek only to emphasise the fact that the con-

sumer's freedom of choice, which is the chief business risk, and therefore the chief cause of business profits and losses, is also the chief cause of the high costs of distribution.

Before proceeding to a more specific reference to Institutional Publicity and Printed Salesmanship in the chapters following, the title of the present chapter makes it appropriate to attach what is rather an appendix than a continuation of the general argument.

Advertising finds its main expression through the printing press. Ignoring posters, the printing press expression of advertising takes one of two forms:

1. Space or publication advertising.
2. Direct or direct-by-mail advertising.

These forms are complementary one to the other rather than alternative. Each has a function that the other cannot equally well perform, but, if an onlooker may venture an opinion, discoveries have yet to be made by some advertisers and some advertising agencies as to the correct use of each form and when both are used, the 'tie-in' (to use a useful American phrase) between them and the salesman. The cases in which all three factors are not necessary to some degree cannot be easily imagined—though the mail order houses flourish without salesmen and with practically nothing more than a bulky catalogue to establish contact with their customers. Sears, Roebuck & Co., who share pre-eminence with Montgomery Ward & Co., send out 10,000,000 catalogues twice a year. It gives some idea of the volume of business to mention that in one day this year Sears, Roebuck

& Co. received orders for and despatched the same day between 9,000 and 10,000 motor tyres.[1]

In *Selling with the Direct Help of Advertising*, published by S. D. Warren Co., Boston, the following table is given and seems to state the case fairly enough as between space advertising and direct advertising, though obviously the arguments could be taken further.

SPACE ADVERTISING	DIRECT ADVERTISING
Circulation	
Inflexible. Mailing list is provided by the publisher. Advertiser must accept exactly the quantity offered. He cannot pick and choose except that he can select a magazine or a newspaper with a definite kind of editorial content, appealing to definite classes of readers.	Flexible. The advertiser can select his own circulation or mailing list by communities, by businesses, by professions, by social or executive positions.
Mailing Dates	
These are set by the publisher.	These can be exactly suited to the work in hand.
Timeliness	
Closing dates of magazines often prevent taking advantage of items of immediate news interest. The advertiser in the daily newspaper can use copy of immediate news interest.	Items of immediate news interest can be put into type and mailed while the interest is keen.

[1] Or tires, to quote the American and etymological spelling—see Fowler's *Modern Usage of Words*.

SPACE ADVERTISING	DIRECT ADVERTISING
Unit of Space	
Advertiser must use the units of space determined by the publisher.	This can be whatever size and shape seems desirable for the presentation of the subject under discussion.
Printing Treatment	
The advertiser must be guided by rules established by publishers regarding ink, type, and paper.	This can be whatever is necessary or desirable to promote the particular subject being promoted.
Cost per Unit	
The per-unit-per-reader cost of space advertising is low—especially when one of the entire reader group is a possible purchaser, or influences possible purchases.	The per-unit-per-reader cost of direct advertising may be low or high according to the character of the mailing. On envelope enclosures and package inserts, for instance, where carrying charges are already paid, the per unit charge can be very low.
Advertising Competition	
Magazines and newspapers carry advertising of competitors and of many other businesses.	Direct advertising pieces usually are devoted exclusively to the business of a single advertiser.
Information to Competitors	
In a special campaign the scope and character of the effort is usually apparent to competitors.	In a direct advertising campaign the scope of the effort is not apparent to competitors. The list may comprise one section of the country or all sections. It may comprise one hundred names or one million

This comparison shows why space advertising and direct advertising can be combined to excellent advantage. Magazine and newspaper space can be secured at a comparatively low unit of reader cost. Direct advertising can supplement space advertising because a message can be exactly suited in wording, size, printing treatment and mailing date to the needs of individual groups—whether wholesaler, retailer, or consumer.

XI

INSTITUTIONAL PUBLICITY

XI

INSTITUTIONAL PUBLICITY

INSTITUTIONAL advertising, to use the American term, is directed to building up goodwill rather than to selling the products of the house or institution. As previously explained, the term publicity by itself is associated with editorial notices and quite logically falls under this chapter heading.

As a matter of convenience, rather than on any clear grounds of principle, advertising that is of an educational or propagandist character is also being considered as within the scope of Institutional Publicity.

In America the larger corporations are recognising the importance of publicity, of keeping the public informed of what they are and what they are doing.

The General Motors Corporation, for instance, maintain a publicity department, which is quite distinct from the advertising departments, if only because each division (Cadillac, Buick, etc.) is responsible for its own sales promotion. The publicity department of the parent organisation is staffed with trained news journalists, skilled in presenting information regarding the company in a form that editors of papers of high standing will accept either as news or as occasion for editorial comment, which is better publicity still. Obviously, a few lines in a leading journal is worth columns in small provincial papers, though publicity knows no bounds.

Publicity aims to promote public understanding and confidence out of which grow prestige and goodwill. Its benefits may be as real in promoting *esprit de corps* among the employeés and attracting therefore the better grade of new employees as in promoting confidence amongst shareholders or the public at large.

Publicity must have a spirit of service behind it. Mere pushfulness of the company's name and activities is about as useful as cock-crowing, it begets no real confidence in the qualities of the performer, and may, indeed, engender resentment rather than goodwill.

In the case of the General Motors, a company with a large number of stockholders and employees, all interested parties and all potential customers, a special practice has been adopted. Pamphlets are prepared for distribution with each half-yearly dividend, and these deal with some phase or other of the company's business or methods of management. The pamphlets are issued in a readable but inexpensive form, so as to obviate any idea of extravagance. The subject matter of the pamphlets issued so far may be judged perhaps by the following selection of titles.

The Export Organisation of General Motors.
Facts and Figures about General Motors.
Financial Control Policies of General Motors.
Fisher Body. Its Contribution to the Automotive Industry.
Parts and Accessory Companies of General Motors.
Plants and Products of General Motors.

The Proving Ground for the Products of General Motors.

Another feature of their publicity work that is of a high order is the monthly memorandum of car sales that is broadcast to the Press. Comparative figures are given for previous months or previous years, and statistics are faithfully given whether favourable or not. A note may be added sometimes, but the idea is to let the truth speak for itself. Of course, if the corporation were being run on happy-go-lucky lines then a fall in sales might be occasion for silence and recrimination and a rise in sales an occasion for boastfulness. As it is, with every effort directed to efficiency, with all executives and many other employees interested as stockholders, and with a healthy team spirit operating throughout the whole huge organisation (its employees number some 165,000) the trading results tend to become a reflex of market conditions, and are being so interpreted by the Press.

While the following specimen bulletin did not require much moral courage to issue, it is of interest both for what it contains and for its restrained language.

GENERAL MOTORS SOLD OVER 5,000,000 CARS

In the twelve months ended May 8, 1926, General Motors produced and sold 1,002,285 cars and trucks, exceeding all previous records by a wide margin. When the value is considered, this undoubtedly sets a new record sales volume for the automobile industry.

It is further interesting to note that on Saturday, May 8, General Motors sold its five-millionth car. It took over nine years to sell the first million cars,

but it required only twelve months to sell the last million cars.

Sales of the car divisions by calendar years follow:

Year.	*No. Cars.*	*Year.*	*No. Cars.*
1910	39,300	1919	391,738
1911	35,752	1920	393,075
1912	49,696	1921	214,799
1913	57,270	1922	456,763
1914	61,584	1923	798,555
1915	102,388	1924	587,341
1916	146,185	1925	835,902
1917	203,119	1926[1]	421,300
1918	205,326		
		Total	5,000,093

Perhaps the most widely used form of institutional publicity is that of the house organ. It is employed on so extensive a scale that there are free-lance editors[2] who specialise on their preparation.

Some companies, for example the Western Electric Co. (with 65,000 employees all told), supplement the printed word of their institutional publicity by preparing films. These are loaned to educational institutions, where they are much appreciated, provided they are devoid of direct sales promotion effort. Some distribution is possible through the moving picture theatres. But high rates are charged by the theatres for exhibiting the films, and the public is sensitive about receiving education in place of entertainment, so that this field is not much utilised.

[1] 1926 figures to May 8.
[2] Tom Drier of Boston is an outstanding example, with his own house organ called *The Vagabond*.

The following are a few titles from the Western Electric Company's educational film service:

Voice highways in the making.
Speeding up our deep sea cables.
Pillars of the sky.
All in the day's work.
The electrical transmission of speech.
The go-getter.
From swamps to workshops.

Much of America's advertising has had, and still has, an educational significance rather in the development of social standards [1] than in the academic sense as illustrated by the film service just mentioned. It would seem to clarify the consideration of advertising efforts and expenditure as a whole if this educational advertising were recognised as institutional publicity. It might even be looked upon more as an investment for which the return would be necessarily delayed, though one would hardly go the length of recommending the capitalising of the expenditure.

Following this line of reasoning the co-operative advertising so widely practised by trade associations falls into its place as co-operative or collective institutional publicity.

Mention may conveniently be made here of some of the trades known to he co-operating for publicity or propaganda purposes.[2]

[1] Whether the use of chewing gum, for instance, represents a development of social standards is America's own business.

[2] The list has been built up from information given in *Co-operative Advertising*, by H. E. Agnew.

Bankers.
Bedmakers.
Book Publishers.
Brick Manufacturers.
Carbonated Beverage Manufacturers.
Cattle Breeders.
Coffee Industry.
Copper and Brass Manufacturers.
Corset Manufacturers.
Electric Light Industry.
Fine Stationery Manufacturers.
Flooring Manufacturers.
Florists.
Fruit Growers.
Glove Industry.
Greeting Card Manufacturers.
Gypsum Industry.
Hardware Dealers.
Hardwood Manufacturers.
Ice Industry.
Knitted Outerwear Manufacturers.
Knitted Underwear Manufacturers.
Kraut Packers.
Laundry Owners.
Limestone Industry.
Lumber Industries.
Malleable Castings Manufacturers.
Paint and Varnish Industry.
Pig Breeders.
Plate Glass Manufacturers.
Plumbing and Heating Industry.
Portland Cement Manufacturers.
Rubber Industries.
Sheep Breeders.
Sole and Belting Leather Manufacturers.
Tanners.
Terra Cotta Manufacturers.
Tile Manufacturers.
Turpentine and Resin Producers.
Vegetable Growers.
Wall Paper Manufacturers.
Walnut Industry.

The Metropolitan Life Insurance Co., in connection with their Policyholders' Service Bureau, has issued an informative booklet on this question, from which the following quotations may be made with advantage.

The conclusion seems to be that co-operative advertising by manufacturers is desirable when some

outside danger threatens the loss of a market to the entire industry, or when market analysis reveals the possibility of a general increase in sale all along the line through an educational campaign. When one or other of these conditions does not occur, the probability is that increased sales can best be accomplished through individual advertising or co-operative advertising with dealers or non-competitive manufacturers.

No co-operative advertising campaign can achieve success which does not have as its basic policy a genuine desire to benefit the whole industry.

Note that the entire industry must be benefited, not merely those members of the industry who contribute to the campaign. This may not be fair, but it cannot be helped.

XII

PRINTED SALESMANSHIP

THE phrase that heads this chapter is not new, and admittedly is open to criticism, but it has been chosen to focus attention on the purpose of advertising that is not institutional publicity.

In America the extensive use of bill-boards, that are painted, and of advertising specialties, that are not the product of the printing press, makes the title of the chapter to some extent inadequate, but hardly enough perhaps to affect the reader.

Touching the use of bill-boards, or hoardings, as they are called in England, these are largely standardised in the shape and size made familiar in England by the Palmolive posters. Each poster is usually mounted on a permanent painted wood frame or stand, and frequently isolated on a special site. When the poster is a real work of art, as a good many are, there is a minimum disfigurement of the view. In a world where elevated railroads are tolerated in city streets, it might even be argued that the bill-board represents a valiant attempt to supply a touch of beauty.

The finest posters are necessarily lithographed, but the art work in the painted bill-boards previously mentioned is usually of a high order.

It should be explained that these painted bill-boards are made in sections of sheet steel, and are painted all complete at a factory. In their production

a negative of the artist's picture is projected to the requisite size on a screen. Stencil boards are suspended against the screen and marked out along the projected lines. These stencils are used for outlining the full-size poster on the sheet-steel panels. A high grade of sign-writer, as he would probably be called in England, is employed to fill in the colour work in accordance with the artist's study. The effect when the bill-board is in its final place is usually good.

Confining consideration to printed matter, whether picture or text, it is easy to understand that there are very real differences of view in America, as elsewhere, as to the relative virtues as a selling force of the displayed publication advertisements, on the one hand, and direct, or direct-by-mail, advertising on the other. As previously stated the only satisfactory way of viewing them both is as complementary one to the other. Further than that they must be considered as no less complementary to the work of the salesman.

These considerations point to the importance of co-ordinating all advertising and selling effort. It is here that the advertising agency or marketing counsel should and largely does function.

The scope and function of publication advertising are sufficiently well recognised to need little further comment. For this reason attention will be focussed more on the use of localised direct advertising. In this connection the use of the mailing piece, particularly for products with a restricted appeal, is finding increasing favour in the United States.

This tendency is perhaps only to be expected when

it is remembered that it takes as long to cross the American continent by train as it does to cross the Atlantic by boat—the distance in each case being approximately three thousand miles. It needs no imagination to visualise the tremendous cost of effective publication advertising on a national scale.

Advertising has largely to follow Nature's plan of sowing many seeds that one plant may result. If either institutional publicity or publication advertising ploughs the field and prepares it, then direct advertising may need to sow only a relative small number of seeds to ensure a good crop. Unfortunately, or perhaps fortunately, the growing of orders is not quite so straightforward as crop growing, where Nature supplies the fructifying elements of sun and rain and soil. In the business field man must work out his own salvation.

In one of the circulars issued by Detroit's leading printers, Evans, Winter & Hebb, there are enumerated six functions which are argued as being the special province of direct advertising, viz.:

1. To comb territories for live prospects, who may be either dealers or consumers.
2. To produce orders or inquiries.
3. To precede and follow up salesmen, thereby doing the educational work of salesmen.
4. To localise national advertising by associating the name of the local dealer with the national effort.
5. To build goodwill and carry on general educational work when circulation is necessarily restricted.

6. To enlarge, in picture and in text, upon phases of the produce or service, which the limitations of other media do not permit.

In certain circumstances the first two functions might be served not less well by publication advertising. It is used largely for this purpose and thus both forms of advertising come within the description of printed salesmanship.

The third function is more easily managed by direct advertising, while, for the fourth function, the local newspaper is a competitor with direct advertising.

The fifth function, which comes under the definition of institutional publicity, as previously submitted, is so conditioned that direct advertising might compete in both effectiveness and economy with publication advertising, though hardly with editorial publicity.

It is the sixth function that is peculiarly the field of direct advertising and by means of which functions one, two and three are more likely to be put into effectual operation.

'Creative Advertising Service' is an expression that printers have adopted to describe the development in their trade that has taken place in recent years and is really the outcome of competition in the printing of direct advertising material. Those printers with vision realised that the growth of the advertising agency as the directive force of advertising was tending to make them little more than 'hewers of wood and drawers of water'—mere craftsmen at the beck and call of outside inspiration. Had good feeding gone with this mental slavery there might have been

less effort made to throw off the shackles. As yet only the few have ability to rise superior to circumstance, and they are winning freedom—and food—by selling something more than mere printing! Something that they could better describe as service.

This situation is met only by the printer injecting into his creative advertising service a skill in marketing that will enable him to advise his customer competently. This involves an overhead expense that only a house doing considerable business can face with impunity. There is a danger of some printers attempting to provide a creative advertising service that tries to make up in typographical skill what it may lack in marketing knowledge. That way lies failure.

One printing concern, James T. Igoe Co., Chicago, seems to have arrived at a happy compromise after experimenting with a self-sufficient creative advertising service. They now co-operate with an advertising agent who becomes marketing counsel to the printer. A somewhat similar practice has been adopted in another case at New York, but there it is understood that a group of advertising agencies have a financial holding in the printing plant.

One swallow does not make a summer, and one or two experiments, however successful, do not prove that the printer will become the accepted liaison between the manufacturer and the advertising agent.

There are certain printers who specialise in the setting up of publication advertisements. The J. M. Bundscho Company, Chicago, for instance, do a considerable business in creating typographical display.

It is impossible within the restricted space of this book to illustrate the characteristics of advertising in America. With the spread of American magazines abroad anyone can see for himself the high standard of art, typography, and appeal that is being used. In direct advertising, with greater freedom of choice, the standard is higher still. To visit the States and make even a modest collection of direct advertising literature is to have at one's command a never-failing source of interest and inspiration.

Among the printers who have achieved a reputation for their creative printing, for the most part in the form of advertising material, may be listed the following:

Ar-Kay Printing Co. Inc.	New York City.
Atlantic Printing Company.	Boston.
Bartlett Orr Press Inc.	New York City.
Blanchard Press.	New York City.
Thomas B. Brooks Inc.	New York City.
Buckley Dement & Co.	Chicago.
Marion S. Burnett.	Chicago.
Caxton Company.	Cleveland.
Conde Nast Press.	Greenwich, Conn.
Currier and Harford.	New York City.
R. R. Donnelly & Sons Co.	Chicago.
Eddy Press Corporation.	Pittsburgh.
Evans, Winter, Hebb Inc.	Detroit.
Chas. Francis Press Inc.	New York City.
Franklin Company.	Detroit.
Franklin Printing Company.	Philadelphia.
William Green Corporation.	New York City.
Kalkhoff Co. Inc.	New York City.
Lent & Graff Co. Inc.	New York City.
Madison Square Press.	New York City.

Marchbanks Press.	New York City.
Moore Press Inc.	New York City.
Norman T. A. Munder & Co.	Baltimore.
Munro & Harford Inc.	New York City.
John Henry Nash.	San Francisco.
J. F. Newcomb & Co. Inc.	New York City.
John C. Powers Co. Inc.	New York City.
Printcraft Press Inc.	New York City.
Proctor & Collier Co.	Cincinnati.
Pryer Press.	Chicago.
Publishers Printing Co.	New York City.
Redfield-Kendrick-Odell Co. Inc.	New York City.
Rein Printing Company.	Houston.
Rogers & Co. Inc.	New York City.
William Edwin Rudge.	New York City.
Edgar C. Ruwe Inc.	New York City.
Southam Press Ltd.	Toronto.
Stetson Press.	Boston.
Robert L. Stillson Co.	New York City.
Taylor & Taylor.	San Francisco.
Times Mirror Printing & Binding House.	Los Angeles.
University Press.	Cambridge, Ms.
Young & McCallister Inc.	Los Angeles.

The following questionnaire, as formulated by S. D. Warren Co., Boston, is included to help in visualising the factors that go to the proper construction of direct advertising.

A Printing Questionnaire that Printers find Helpful in building successful direct advertising

1. What is the nature of the merchandise or service to be sold?

New Product.	*Utility.*
New Service.	*Luxury.*

New Market.	*Unit of sale.*
Old Product.	*Amount of each sale.*
Old Service.	*Margin of profit.*
Old Market.	*Seasonable or all season.*

2. What feature is there about this merchandise or service that will interest buyers?

3. What competitive literature already occupies the field?

4. Where are possible buyers or users located?

In large cities.	*North.*
In small cities.	*East.*
In the country.	*South.*
	West.

. Are the possible buyers

Male.	*Female.*

6. What kind of people are they?

Refined.	*Limited Education.*
Average.	*Average Education.*
Coarse.	*Broad Education.*
Studious.	*Technical Education.*
Superficial.	*Professional Education.*

7. To what kind of appeal will they respond?

Aesthetic.	*Dominant.*
Bizarre.	*Subdued.*
Common-sense.	*Flashy.*
Humorous.	*Conservative.*
Scientific.	*Colorful.*
Economical.	*Quiet.*

. What is their financial or social standing?

High.	*Fair.*
Good.	*Doubtful.*

9. Buying for whom?

Corporation.	*Wife.*
Company.	*Mother.*
Self.	*Father.*
Family.	*Children.*
Husband..	

10. What is their annual income, budget, or appropriation?

$1,000	*$5,000*	*$15,000*
2,000	*6,000*	*20,000*
3,000	*7,000*	*25,000*
4,000	*10,000*	*Or over.*

11. Where will the printed piece be received?

Home. *Office.*

12. When will the printed piece be received?

Day of week. *Time of day.*

13. Where will the printed piece be read?

Home. *Office.*

14. Who will open mail?

Office boy.	*Proprietor.*
Mail clerk.	*Maid.*
Secretary.	*Housewife.*

15. By what light will it be read?

Daylight. *Artificial light.*

16. Will it be handled by:

Clean hands.	*Dainty hands.*
Dirty hands.	*Rough hands.*

17. Will the printed piece be submitted to:

Casual observation. *Close study.*
Continued observation.

18. How much money can be spent on printing?

19. What specifically is the printed piece to do?

Bring inquiries. *Introduce service.*
Effect sales. *Introduce house.*
Introduce product. *Introduce salesmen.*

20. Is there a limit to the mailing weight or space to be occupied?

21. What should be the nature of the printed piece?

Book. *House organ.*
Catalogue. *Envelope stuffer.*
Booklet. *Illustrated letter.*
Folder. *Broadside.*

22. If a book, will it be carried in pocket?

Side. *Vest.* *Inside.*

23. If a book, will it be kept for reference?

On desk. *In desk drawer.*

24. What should be the nature of the text?

Of primary importance. *Long captions.*
Secondary to illustrations. *Short captions.*
Continuous story. *Simple.*
Series of short articles. *Technical.*

25. What type style does the nature of the appeal and of the printed piece suggest?

26. Should the printed piece be printed in plain type, or should it be decorated?

27. What should be the nature of the illustrations?

Half-tones from photographs.	*Combined half-tone and line.*
Half-tones from drawings.	*Delicate line.*
Half-tones, highlight.	*Strong line.*
Half-tones, vignetted.	*Flat colour from line plates.*
Half-tones, two colour.	*Line and Benday.*
Half-tones, three colour.	
Half-tones, quadricolour.	

28. What ink treatment does the character of the printed piece suggest?

Coloured.	*Process.*
Tints.	*Black.*

29. What paper will best serve the purpose behind this printed piece?

The application of all publication and direct advertising must obviously lie in the mailing list. In the case of publications the subscription list is the mailing list. With direct advertising and its much higher per-unit-per-reader cost the make-up of the mailing list becomes a matter of great moment. The recent increase in mailing rates in U.S.A. for printed matter has further stimulated attention to the proper use of mailing lists.

The growing tendency seems to be to use the more comprehensive mailing lists for the circulation of institutional publicity material from the humble blotter to its bigger brother, the house organ.

The mailing list for the real printed salesmanship is being more and more constructed in co-operation with the salesmen so that the mailings will 'tie-in'

with their calls—usually a point of the utmost significance in obtaining sales. The Burroughs Adding Machine Company, for instance, ask each salesman to furnish a mailing list of names and addresses, stating the trades, for a month at a time. The company has worked out a set of mailing pieces and sales letters for each trade and these are sent to the 'prospect' with due intervals between each mailing. When the last piece is despatched a postcard is sent to the salesman so that he knows that his 'prospect' has been duly cultivated and it is for him 'to do his stuff.'

When a particular trade is being cultivated 'tie-in' advertisements are also inserted in the appropriate business paper or trade journal.

There is a great deal of 'tying-in' between publication advertising and direct advertising by inviting application for a booklet. The lure of the coupon with this objective still holds good.

The same plan is used in mailing to an office list as distinct from the salesman's list, so that the prospects may declare themselves by applying for some further advertising material or, in the case of certain commodities, for a sample.

It has been found that the response to a first mailing piece will not include any marked proportion of the people most worth cultivating. A second, third, or even further mailing may be found profitable. Another point concerns the return card which is likely to get detached from the sales letter or folder with which it is sent. It has been found helpful to 'tie-in' this card with the advertising material by means of an illustration. This serves to give added

significance to the return card and increases its chance of being used as intended.

Some concerns, possibly many, build up their own mailing lists, but it is such a stupendous task in America that specialist organisations have developed either to furnish lists or to address the wrappers or envelopes from their stencils. Buckley, Dement and Company, Chicago, have developed a very large business on these lines, and pay great attention to keeping their lists up to date. Their 1926 mailing list catalogue gives more than 6,600 different classifications of mailing lists. They are printers and undertake complete direct mailing campaigns with very special attention to the construction of sales letters.

Paper manufacturers in their competiton to sell paper to printers have developed very valuable advertising services for printers in the form of text and illustration. The following are among those that operate along these lines :

S. D. Warren Co.
West Virginia Paper and Pulp Co.
American Writing Paper Co.
Hampshire Paper Co.
Hammermill Paper Co.

Another form that this trade cultivation by paper houses takes is that of providing an organised library of printed specimens for the use of printers and their customers. There are several houses that adopt this method :

Bradner Smith & Co., Chicago.
Alling & Cory, Pittsburgh.
Zellerbach Paper Co., San Francisco.

In the Bradner Smith Library the specimens are classified under the following heads:

- Blotters.
- Booklets.
- Books.
- Broadsides.
- Cards.
- Catalogues.
- Circulars.
- House organs.
- Letterheads.
- Letterheads, illustrated.
- Letterheads, multiple page.
- Magazine inserts
- Office forms.
- Portfolios.
- Posters.
- Wall charts and mottoes.

It is of interest to note that the collection of house organs includes 3,000 specimens.

The American Type Founders Company, Jersey City, maintains a Typographic Library and Museum, which is of a high order and aims to improve the standards of typography for all purposes—books as well as advertising.

Another paper house, *Butler Paper Corporations*, Chicago, has a laboratory service by which paper values can be appraised—a matter of real importance in establishing advertising economies.

American business associations make a feature of conventions for developing and interchanging information on subjects of mutual interest.[1] Just as there are associations of those interested in outdoor advertising and advertising specialties, so there is the Direct Mail Advertising Association, Boston. Its 1925 convention brought together no less than 2,000 people interested in direct advertising from one point or another.

[1] It is rumoured that since Prohibition the mutual interest occasionally concerns a matter not included in the avowed objects of the association.

One application of printed salesmanship, even if it belongs neither to publication advertising nor to direct advertising, has not been previously mentioned —namely, the co-operative catalogue for industrial products. It is an old enough idea, but it has taken on itself a form directly adapted to modern needs. Instead of being a mere collection of glorified address cards, it has become a well of information and data, all subject to editing which eliminates all descriptive matter not strictly factual.

While it does not in any sense take the place of the individual catalogue, it does serve as a reference encyclopædia of alternative manufacturers, and facilitates the work of the interested buyer.

The following is a list of some of the more ambitious publications:

A.S.M.E. Machinery Equipment Catalogue.
Chemical Engineering Catalogue.
Dodge's Report (Constructional).
McGraw-Hill Catalogues.
Sweet's Engineering Catalogue.

These catalogues are substantial, well-printed, well-bound volumes for which a charge is made. The *Chemical Engineering Catalogue* is not sold outright, but lent or leased to subscribers.

XIII

DISTRIBUTION

IT may seem a defect that a book purporting to discuss the marketing problem should not devote a special chapter to personal salesmanship. Certainly it is a factor in marketing which has been developed intensively in America. A great deal of study has been given to its psychology, and it is the intangible character of selling forcefulness that makes it an unsuitable subject for discussion at any length here. It is common knowledge in England that American manufacturers and merchants organise the training of their salesmen to the *n*th degree—'Managing the interview,' 'How to sell quickly,' 'Closing the sale,' etc. As a matter of fact, there has been a tendency to overtrain the salesman. The virtues of 'high-pressure' salesmanship that more or less hypnotises the 'prospect,' or 'victim,' into signing a firm order are found to be limited to first sales. It causes a reaction which makes repeat orders or another interview improbable. In the selling of real estate the high-pressure, hypnotic method seems still to be the one most approved—by the vendors.

There is, of course, a great deal of sound sense in training salesmen in the methods appropriate to the selling policy and market of the house. More and more selling means selling service as well as the commodity, and it is thorough understanding of the significance of this service behind the commodity that

is such an important part of the salesman's training. He must know his commodity thoroughly, its technical advantages, its commercial advantages and how it compares with its competitors. He must, in short, know his job and still keep learning.

It is the accepted practice in America that a salesman should be given an interview—not as a matter of courtesy but as a matter of business. He may have something to sell that the manufacturer ought to buy—at any rate the manufacturer or his purchasing agent realises that he ought to know all about what is on the market. A salesman is looked upon more as a news messenger—the news may be stale or uninteresting, but the manufacturer can only tell that by listening to it. The salesman's training has, therefore, to be directed mainly to the presentation of an effective case in the few moments' interview allotted to him.

In one well-run organisation the salesman is allowed to put his case for the technical advantages of his specialty directly to the technical staff and other staff interested in the use of the goods offered, but he is required to submit his arguments as to commercial advantages to the purchasing agent. This compromise arrangement is understood to have proved eminently satisfactory to all concerned.

With these conditions of personal selling to be met, it will be readily understood that a higher grade of intelligence on the part of the salesman is required than would be sufficient for the old-time method, in America as elsewhere, of cultivating personal friendships. Actually there is so high an intelligence on the buyer's side now that he only respects the

salesman for the real business assistance he can give, and not for his social qualities merely.

These conditions have led naturally to the closer study of advertising that shall work in advance of the salesman so as to impress the 'prospect' by gentle stages. As pointed out under Printed Salesmanship, Chapter XII, this is becoming more and more the accepted field of direct advertising.

The foregoing remarks have reference more particularly to industrial or technical commodities that pass from industry to industry out of sight of the man in the street.

In the more domestic field the personal selling question has undergone great changes owing to the widespread use of advertising. The position in this respect is succinctly stated in the following quotation from the *Wall Street Journal* of September 22, 1925.[1]

> Two factors stand out in the changing picture of business evolution, according to the Board's (National Industrial Conference Board, New York) analysis; the waning importance of the personal factor in trade, and the shortening of the process of distribution. Where formerly goods were bought on inspection and by personal bargaining, nation-wide advertising has made possible the more direct purchasing, by specification, of standardised commodities at given prices without intermediaries. The manufacturer, brought nearer to his markets through nation-wide advertising, depends less on salesmen or jobbers, or even the retailers, and prompt deliveries by improved freight service and the auto-truck make possible

[1] As reported in the *J. Walter Thompson Bulletin* of December 1925.

frequent ordering in smaller quantities, often referred to as hand-to-mouth buying.

Report of Committee No. V (L. D. H. Weld, Chairman) of the National Distribution Conference 1925, to which attention is drawn in Chapter V, has reference to methods of distribution and the following quotations from that report will be found illuminating. The authoritative character of the Report makes comment superfluous.

Complexities of the Marketing System

Commodities are marketed in a great variety of ways. There are innumerable trade channels which they follow on their way from producer to consumer. True, there are certain broad highways over which important classes of goods travel, but there are so many modifications and slight differences in method that it is often difficult to distinguish one from the other, except by the most careful analysis.

The principal reasons for these complexities are as follows:

1. Different Industries use Different Trade Channels.—Farm products require special marketing facilities not needed by the manufactured products. In some trades goods are sold through wholesalers; in other trades, direct to retailers. Storage warehouses and auction companies appear as intermediaries in some trades, and not in others. In some trades the bulk of the trading is done through organised exchanges; in others, through private business houses.

2. Different Companies in the Same Trade use Different Methods in Reaching the Consumer.—One

manufacturer of shoes sells direct to consumers through his own retail stores; another sells his output to independent retailers; another distributes through the jobber; still another disposes of his output to mail order houses. Or, take the somewhat similar case of stockings. One nationally known brand is sold only through house-to-house canvassers. Another brand, almost equally well known, is sold through retail stores owned and operated by the manufacturer, while others sell in the conventional manner, through the wholesaler, who sells to the retailer.

3. An Individual Manufacturer often uses different Trade Channels.—He sells part of his output direct to retailers, and the rest to wholesalers. Another may sell direct to jobbers in one part of the country, and through brokers or manufacturers' agents in another part of the country.

4. There has been a tendency for many Wholesalers and Retailers to extend the Variety of Goods handled.—This means that one dealer is encroaching on the field of another, and that the number of outlets which a producer must reach is vastly increased. This is especially true with regard to retail stores; and drug stores are perhaps the most conspicuous so far as variety of products is concerned.

. . . .

On the other hand, there has been a tendency in some trades for both wholesalers and retailers to specialise on a narrower line of products. This is especially noticeable in large cities where butter and egg stores, hosiery shops, and neckwear stores are sometimes found. In the dry goods trade there are specialty jobbers who handle laces, or hosiery, or other articles of women's apparel.

Marketing Functions

Whatever method of market is used by a producer, his principal object is to get goods into the hands of the final consumers as profitably, as cheaply, and as expeditiously as possible. But to do this there are a number of services or functions that have to be performed, and the problem is to get them performed in the most economical fashion. Goods cannot be marketed without the performance of the following marketing functions :

1. Assembling.—Farm products, for example, are raised on millions of small farms, and the tiny contributions of individual farmers have to be assembled into car lots before they can be shipped economically. Wholesale grocers are assemblers ; some of the largest send out buyers, and assemble goods from various places all over the country, and even all over the world. Department stores assemble their goods largely by sending buyers to New York, where ' resident buyers ' often help them in locating the merchandise that they want. Assembling involves buying. It also involves the study and anticipation of future demands.

2. Storing.—Goods have to be stored or warehoused at various steps in the distribution process. Storage begins on the farm or in the manufacturer's warehouse, before the goods are shipped. Wholesalers, commission men, retailers, and all other middlemen, except those, like brokers, who do not take possession of the goods, have to have stores or warehouses in which to hold the goods. In some trades there are special warehouses, such as grain elevators, cotton, tobacco, and wool warehouses, cold storage houses, etc. General merchandise warehouses also are used largely by manufacturers who

need to keep a stock on hand at convenient places throughout the country.

3. Financing.—Somebody's money is tied up in goods all of the time they are on the way from the producer to the consumer. Middlemen borrow money from the banks in order to finance their operations. Warehouse receipts greatly facilitate borrowing on the part of grain shippers and other holders of staple products. The jobber gives credit to the retailer, and the retailer to the consumer.

4. Assumption of Risks.—Whoever owns goods during the marketing process runs the risk of price fluctuations, the risk of deterioration of quality, and the risk of destruction by fire. Fire risks are shifted to insurance companies for a consideration. Deterioration risks have been reduced by proper storage and by refrigeration in transit. Price risks are greater for some commodities than for others. In the case of a few important staples, like cotton, grains, and sugar, risks of price fluctuations are obviated by hedging operations in future markets. Another important risk is change of style.

5. Sorting, Grading, and Repacking.—Practically all agricultural products have to be sorted, and graded. Eggs, for example, are often 'candled' two, three, or four times before they reach the consumer. Large quantities have to be broken up into smaller lots. The 'broken package' room of a wholesale house is looked upon as an expensive part of the business.

6. Selling.—This is generally the most costly function to perform. It is usually accomplished by having salesmen find or interview possible customers. Advertising is a part of the selling function.

7. Transportation.—The actual physical carriage of goods is an important part of the market process.

It means the transference of goods from places where they are less wanted to places where they are more wanted. Over long distances goods are carried by the railroad; over shorter distances they are carried by trolly lines, by motor trucks, and by horse and wagon. Wholesalers and retailers commonly make deliveries, although in some cases consumers relieve retailers of this function by carrying away their purchases.

Why the Middleman System has Developed

The middleman system of marketing has developed for the simple reason that middlemen are able to perform the marketing functions in the most economic and effective manner. Middlemen achieve economies in two principal ways:

1. They acquire Skill in performing Marketing Functions through Specialisation.—Just as in the cotton industry one mill specialises in spinning yarn, another specialises in weaving yarn into cloth, and another specialises in dyeing and finishing the woven cloth, so do marketing agencies specialise in the performance of marketing functions. One devotes its time to storing; another makes a business of assembling large quantities of farm products from different parts of the country. Most middlemen perform two or three or more of the marketing functions, but they are specialists nevertheless, as compared with manufacturers who have to devote a large part of their attention to questions of production.

2. Middlemen achieve Economies by Combining Products made by different Producers or Manufacturers, thereby doing a much larger volume of business in any one locality than one individual producer

could hope to do. A manufacturer of corn-flakes, for example, would not have a sufficient volume of business in each community to justify sending salesmen all over the country to retail stores. The wholesale grocer combines corn-flakes with flour and sugar and a hundred other commodities, and then the wholesale grocer's salesman takes a $50 or $100 order, where the individual corn-flakes salesman could take only a $5 order.

The marketing functions have to be performed whoever performs them. If the manufacturer gives up selling through jobbers, and goes direct to retailers, he must store goods, perhaps in branch houses, in different parts of the country; he must have capital tied up in large stocks; he must give credit to the retailer; he must break his goods up into small lots; he must send out scores or perhaps hundreds of salesmen; he may have to make deliveries.

The elimination of middlemen does not eliminate the functions that have to be performed. For many staple articles, direct sale from producers to consumers, or from producers to retailers, would mean an increase in the cost of performing these functions. For other products more direct methods of sale are possible.

Factors Determining Choice of Trade Channel

Although there are a great many different marketing channels used by producers, and although it might look at first glance as though there can be no sound reason for this great diversity, each manufacturer generally has very definite reasons for selecting the method of sale that he uses. There are certain reasons why some manufacturers sell direct to retailers while others sell to jobbers. There are a number of

things that affect the manufacturer's choice of trade channel. The most important ones are as follows:

1. Volume of Business.—A large company can often afford to sell direct to retailers, and prefers to do so rather than to sell to jobbers. The meat packers, for example, can put a sufficient volume of business through each of their branch houses to keep selling expenses at a minimum.

2. Perishability of the Product.—The more perishable a product is, the more likely it is to follow a direct route. The marketing of milk is an example in that the same company often assembles milk in the country, clarifies, pasteurizes, and bottles it, and delivers to the consumer's door in the city. The National Biscuit Company changed from selling through jobbers to selling direct to retailers, so as to get their biscuits through to consumers in the freshest possible condition.

3. Whether or not an Article is a Staple or a Specialty.—Staples like flour, sugar, etc., are more likely to go through orthodox trade channels. Specialties like adding machines and typewriters are commonly sold direct.

4. Number of Retail Outlets.—If a manufacturer's product has to find its outlet in a very large number of retail stores, he is more than likely to sell to a jobber. This would be the case with a manufacturer of a grocery specialty. A manufacturer of men's clothing, however, often has but one customer in a town, and this customer does not have to be called on very often. Hence the clothing manufacturer can afford a sales organisation to go direct to the retail trade.

5. Average Size of Retail Order.—This is almost a corollary of number 4. The clothing manufacturer,

for example, not only has relatively few customers that he has to reach, but his salesman may take an order for $5,000 or $10,000 worth of clothing on a single visit. The clothing or department stores and chain stores, which buy goods in large quantities, have, of course, increased direct sale from manufacturer to retailer.

6. Whether Manufacturer puts out a Single Product or a Line of Goods.—If he manufactures a single product, he is more likely to use the full chain of middlemen specialists; if he puts out a line of products, he may be in a better position to sell direct to the retail trade.

7. Whether Goods are Nationally Advertised.—Manufacturers of advertised goods like to go direct to the retail trade, if possible, so as to have better control over dealers' price policy, and so as to keep posted on dealers' and consumers' likes and dislikes.

8. Whether Jobbers give proper Co-operation.—The manufacturer of a trade-marked good may find that jobbers do not push the goods enthusiastically because they have private brands of their own. In such a case there is a temptation to sell direct.

9. Whether Special Training or Technical Knowledge is necessary on the part of the Salesman.—If such knowledge is necessary, as in the case of farm implements, machinery for other factories, adding machines, etc., the sale is generally direct.

10. Whether Goods are Standardised or made according to Specifications.—Standardised goods are more likely to follow orthodox channels; goods made on order according to specifications are likely to go direct.

11. Whether Production is Seasonal.—Manufacturers of canned fruits and vegetables operating only two or three months in the year cannot very well afford

a sales organisation which would reach retailers throughout the country.

12. Need of Financing.—A manufacturer who has not sufficient capital to carry large stocks of goods must ordinarily sell to the jobber rather than attempt to sell direct to retailers.

13. Distance from Market.—A small manufacturer of woollen goods located in Maine and New Hampshire is more likely to sell through a commission merchant, than to have his own sales organisation.

14. Custom.—Producers are likely to use the selling methods which have become established in each particular trade, although there are always some who are constantly seeking and trying out new methods of reaching consumers.

15. Whether Functions can be Simplified.—In some cases more direct marketing may make salesmen unnecessary, or marketing functions may be simplified in other ways. (See section on Integration of Marketing.)

Integration of Marketing or Elimination of Middlemen

The term 'elimination of middlemen' is slightly misleading because, when one so-called middleman is eliminated, the producer, or someone else, has to undertake the functions previously performed by the eliminated middleman. The packing industry, for example, sells direct to retailers, but in order to do so it has to 'do its own jobbing.' It has branch selling houses, where it maintains complete stocks of goods, a force of salesmen, accountants, etc., as well as delivery systems. It might be said that the branch-

house is a jobbing house owned by the packer himself, rather than by the outside company.

Integration of marketing means the successive marketing steps under one ownership. This is a term borrowed from economists who referred to the steel industry, for example, as an integrated industry, because one corporation owns iron ore mines, steamships, blast furnaces, steel mills, and rolling mills. Market integration has taken place in the shoe industry, where manufacturers own retail stores and distribute direct to the consumer. The meat packers furnish an example of partial integration by 'doing their own jobbing.' A few (not including the large packers) own retail stores, and in these cases there is complete integration of the marketing process.

On the whole there is a tendency toward integration in the marketing processes, although this tendency is not so marked as most people think. It is coming about gradually in the following ways:

1. Manufacturers sometimes assume the functions of manufacturers' agents, and of jobbers, and sell direct to retailers and sometimes to consumers.

2. Retail organisations, especially chain store companies and department stores, are reaching back and performing their own wholesale functions, in some cases even taking on manufacturing functions.

3. Wholesalers are reaching out in both directions. Some of them undertake manufacturing functions (including wholesale grocers and wholesale dry goods dealers), and others become interested in chain stores.

The reasons for the tendency toward integration are to be found among the factors affecting the choice

of trade channels, which have already been discussed. The principal ones are as follows :

1. Increasing size of manufacturing companies. When a manufacturer becomes big enough, he can sometimes afford a sales organisation to reach retailers rather than to sell through jobbers.

2. *Increasing size of retail units.* The growth of the department store, and especially of chain stores, has tended to eliminate the separate jobber.

3. Increase in jobbers' private brands has led some manufacturers to undertake their own jobbing, because their goods were not being properly pushed.

4. Increase in national advertising. The desire to have their fingers on the pulse of the market has influenced some manufacturers to try direct sale instead of sale through jobbers.

Conclusion on Integration

Although there is a tendency for manufacturers to undertake direct sale, important cases of where manufacturers have cut out the jobber and have gone direct to the retailer are few and far between. Some who have tried it have been disappointed, and have had to go back to the jobber, especially in reaching sparsely settled sections of the country. Whoever adopts direct sale on the simple presumption that it must be cheaper is likely to be disappointed. On the whole, wholesalers are not being eliminated although their volume of business has not been increasing as rapidly as the total volume of business in the country. The principal reason for this is the increasing volume of business done direct from manufacturer to large retail units, especially the chain store.

XIV

MARKETING LITERATURE

THE wealth of American literature available to the present-day student of marketing makes it necessary to exercise much discretion in compiling a list of books considered worthy of investigation.

It is striking to find that the majority of them have been published within the last two or three years. Without wishing to suggest that the latest book is necessarily the best, yet the technique of marketing is in such a state of rapid growth that, as with books on technological subjects, the odds are rather in favour of the more recent publication. On the other hand, it is possible for root principles of older discovery to get buried under the leaves of this year's fall.

For this reason it may not be inappropriate, in more senses than one, to quote from a translation[1] of a Spanish Jesuit of the seventeenth century, Balthasar Gracian, to demonstrate that the ideal of 'Truth in Advertising' for instance is not quite as new as might be supposed.

Distinguish the man of words from the man of deeds. One cannot dine off words, which are wind, nor off politeness, which is but polite deceit. It is the vain alone who take their wages in windy words. Words should be the pledges of work.

[1] *The Art of Worldly Wisdom*, translated by J. Jacobs, by courtesy of the Publishers, Messrs. Macmillan & Co., Ltd.

The next quotation also has a surprisingly modern ring about it.

Know how to get your price for things. Their intrinsic value is not sufficient. It is a great stroke of art to bring things into repute; at times by praising them, for praise arouses desire; at times by giving them a striking name, which is very useful for putting things at a premium, providing it is done without affectation. Again it is generally an inducement to profess to supply only connoisseurs, for all think themselves such, and if not, the sense of want arouses the desire. Never call things easy or common—that makes them depreciated rather than made accessible. All rush after the unusual, which is more appetising, both for the taste and for the intelligence.

And the third and last quotation reminds us that budgeting as we understand it in business to-day is but a new name for an old concept.

THINK BEFOREHAND

To-day for to-morrow, and even for many days hence. The greatest foresight consists in determining beforehand the time of trouble. For the provident there are no mischances, and for the careful no narrow escapes. We must not put off thought till we are up to the chin in mire. Mature reflection can get over the most formidable difficulty. The pillow is a silent Sibyl, and it is better to sleep on things beforehand than lie awake about them afterwards. Many act first and then think afterwards—that is, they think less of consequences than of excuses; others think neither before nor after. The whole of life should be one course of thought how not to miss the right path. Rumination and foresight enable one to determine the line of life.

In the list of books that follows a rather wide liberty has been taken as to what books and what

subjects should be included and what left out. It may be that some really worth-while book has not even come under notice.

In the examination of books for the purposes of this chapter it was found that the New York Public Library had the best collection as compared with Public and University libraries in Philadelphia, Pittsburg, Chicago and Detroit.

The books listed are too numerous to serve as a buying guide if only that different readers will have different interests to serve. With a view to helping the reader to pick out the books most likely to interest him, a selection of chapter headings, usually seven, has been given under each title.[1]

Following the list of books will be found a list of periodical publications which deal with marketing questions to greater or less degree.

AGNEW, H. E. 1926

Co-operative Advertising by Competitors'

Fundamentals that may not be ignored.
Habit-forming Campaigns.
Educational Campaigns.
Correcting bad Trade Practices.
Expanding the Sales Season.
Co-operative Advertising of Neighbouring Stores.
Community Advertising that pays.

ALFORD, L. P. *Editor.* 1924

Management's Handbook'

32 Sections contributed by Specialists.
Management Ratios.
Packing for Shipment.

[1] Any reader on presentation of his business card, will be welcome to consult any, or all, of the books here listed in the Shawdlaw House Marketing Library, 38, Grosvenor Place, Westminster.

Traffic and Shipping.
Budgetary Control.
Market Analysis.
Cost and Profit Variation Formulas.
Operation Study and Rate-Setting.

AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE 1926

'Markets of the United States'

The Economic Significance of Foreign Markets and their relation to Public Policy.
Tendencies in the Foreign Trade of the United States.
Foreign Markets for Live Stock and Meats.
Trade in American Motor Cars.
Foreign Trade in Petroleum.
What other Governments are doing in regard to Information Service.
Advertising for Export Trade.

BARBER, J. H. 1925

'Budgeting to the Business Cycle'

I. Prime difficulty in Budgeting Control.
II. Problem of Harmonising Budgets and Trends.
III. Cycle Analysis of a particular Business.
IV. Comparative predictions from Underlying Trends.
V. Quantitative predictions of an Industry's Trend.

BARBER, J. H. 1925

'Economic Control of Inventory'

The Economic Field for Inventory Control.
The Basis of Stock Control by Master Charts.
Forecasting Orders.
Calculating Future Production.
Stock levels on a Productive Basis.
Stock levels on a Demand Basis.
Policy of Control and the Business Cycle.

BERRIDGE, WINSLOW, and FLINN 1925

'Purchasing Power of the Consumer'

I. An index of the incomes of factory workers in the United States.

William A. Berridge.

II. Contributions from Budget Studies to the construction of a statistical index of the Purchasing Power of consumers in the United States.

Emma A. Winslow.

III. The State Labour Bureau Index as a Guide to Purchasing Power.

Richard A. Flinn.

BLANCHARD, F. E. 1921

'The Essentials of Advertising'

On the use of Illustrations.
Advantages of Outdoor Advertising.
The appeal of Street Car Advertising.
Suggestions on Catalogue making.
Usefulness of House Organs.
Advertising Specialties.
Economics of Advertising.

BLISS, J. H. 1923

'Financial and Operating Ratios in Management'

Measures of Business Efficiences.
Relation of Costs and Expenses to volume of Business.
Preparation of Statistics for Business executives.
The Working Capital Ratio.
Statistics on the Turnover of Inventories.
Statistics on the Turnover of Total Capital used.
Statistics on the Working Capital ratio.

BREWSTER, A. J. 1926

'An Introduction to Retail Advertising'

The Field of Retailing.
Advertising as it affects the Retailer.

Collecting Data and writing Advertisements.
Making Advertisements effective by type, layout and illustration.
Advertising Mediums.
Advertising as applied to special forms of Retailing.
Co-operation in Retail advertising.

BREWSTER, A. J., and PALMER, H. H. 1924

' Introduction to Advertising '

I. The Field of Advertising.
II. How to Write Advertising.
III. How to Display Advertising.
IV. Where to Publish Advertising.
V. The Operating side of Advertising.
VI. The Ethics of Advertising.

BROWN, D. L. 1923

' Export Advertising '

Typical Export Advertising plans of a few American concerns.
The organisation of an Export Advertising Department.
Formulating and Standardising policies.
Working the Advertising plans abroad.
The Advertising Agency problem.
The Preparation of Export Advertising copy.
Direct Advertising.

BRUÈRE, H., and LAZARUS, A. 1926

' Applied Budgeting '

BUCKLEY, H. J. 1924

' Science of Marketing by Mail '

Mail Selling plans based on Statistics.
How the Mails are used to strengthen the hands of the Sales Force.
Building Prestige by Mail.
Financing a Mail Selling Campaign.
Organised Knowledge in Mail Selling.

The Cash Value of Mailing lists.
Relation of Publicity to Selling by Mail.

CALKINS, E. E. 1920

'The Business of Advertising'

Sellers of Space.
Sellers of Advertising.
Buyers of Advertising.
The necessary steps for Marketing a New Product.
The Advertising Renaissance.
The Creative Work of Advertising.
Advertising as a Profession.

CHAMBER OF COMMERCE OF U.S.A. 1925

'National Distribution Conference Reports'

I. Collection of Business Figures.
Chairman—Owen D. Young.

II. Trade Relations.
Chairman—A. Lincoln Filene.

III. Market Analysis, Advertising and Advertising Mediums.
Chairman—Stanley Resor.

IV. Expenses of Doing Business.
Chairman—Robert R. Ellis.

V. Methods of Distribution.
Chairman—L. D. H. Weld.

VI. General Conditions affecting Distribution.
Chairman—Gabriel S. Brown.

CHERINGTON, P. T. 1921

'The Elements of Marketing'

Marketing Functions and Functionaries.
Sales Functions—Relations with the Public.
Financing Mercantile Transactions.
Sales under Brands.
The Elimination of Distributors.
The Components of a Retail Price.
The Costs of Distribution.

CLARK, F. E. 1922

'Principles of Marketing'

The Marketing Functions.
Marketing Raw Materials.
Marketing Manufactured Products.
The Elimination of Middlemen.
Price Maintenance and unfair Competition.
The Elements of Marketing Efficiency.
Final Criticism.

CLARK, F. E. 1924

'Readings in Marketing'

A Book of Edited Abstracts from Current Marketing Literature.

Marketing Raw Materials.
Marketing Manufactured Products.
Direct Marketing of Manufactured Products.
Retail Distribution.
Large Scale Retailing.
Standardisation.
The Cost of Marketing.

CONVERSE, P. D. 1924

'Marketing Methods and Policies'

Storage.
Wholesale Dealers.
Retail Stores.
Mail Order House
Merchants' Expenses and Profits.
Price Policies.
Market Analysis.

COPELAND, M. T. 1923

'Problems in Marketing'

Consumer's Point of View.
Retail Trade.
Wholesale Trade.

Sales Management.
Brands, Trade Marks and Advertising.
Sales Correspondence.
Price Policies.

DAVID, D. K. 1921

' Retail Store Management Problems '

Accounting Problem.
Statistical Problem.
Organisation Problem.
Merchandise Problem.
Selling Problem.
Stock Problem.
Buying Problem.

DONOVAN, H. M. 1924

' Advertising Response '

A research into influences that increase Sales.
Methods followed in Conducting the Tests.
Mental dominance of Brands and Commodities.
Advertising History of leading Brands.
Analysis of Advertising of leading Brands.
Newspapers.
Comparison between Faults in replies of Males and Females.

DUNCAN, C. S. 1919

' Commercial Research '

Character of Commercial Research.
Sources of Business Facts.
Methods of collecting Business Facts
The Analysis of Business Facts.
Presentation of Business Facts.
Interpretation of Business Facts.
Organisation for Research.

FEDERATED AMERICAN ENGINEERING SOCIETIES 1921

'Waste in Industry'

The Building Trades.
Men's Ready-made Clothing.
Boots and Shoes.
Printing.
Metal Trades.
Textile Manufacturing.
Special Phases of Industrial Waste.

FOSTER, W. F., and CATCHINGS, W. 1925

'Profits'

I. Introductory.
II. The Necessity of Profits and Losses.
III. The Amount and Distribution of Profits.
IV. The Functions of Prices and Profits.
V. Money and Profits in Relation to Consumption.

FRAZIER, J. L. 1925

'Modern Type Display'

Fundamentals of Display.
Subordination and Emphasis.
Interpretative Display.
Shape Harmony.
Tone Harmony and Contrast.
Use of Ornament.
Symmetry and Balance.

FREDERICK, J. G. 1920

'Business Research and Statistics'

Research Departments and Data Sources.
The Law of Averages as a Guide to Business.
Investigations of Distribution Problems.
Surveys and Reports by Specialists.
The Technique of Field Investigations.
The Dollar and the Budget Idea in Business Finance Research.
Researches into the Human Factor as relating to Business.

FREDERICK, J. G. 1925

'Masters of Advertising Copy'

Symposium by twenty-seven professional writers of advertising copy.

FRENCH, G. 1926

'20th Century Advertising'

Advertising as it is.
Technical Advertising.
Advertising in Great Britain, Colonies and Europe.
The Art Factor.
Printing for Advertising.
Advertising for Export.
The Future of Advertising.
—a symposium by forty-one advertising managers and advertising agents.

FRI, J. L. 1925

'Retail Merchandising'

Organisation.
Stock Turn.
Physical Inventory and Slow-Selling Stock.
The Merchandise Budget.
Advertising Policy.
Merchandising Policies.
Current Merchandising Statistics.

GILES, R. 1926

'Breaking through Competition'

Twenty Years Ago and To-day.
Ways and Means.
Wanted more Specialties.
Youth will be served.
More about Buying Habits.
Keeping the Product Alive.
Competition, Product and Package.

GREER, C. R. 1925

'The "Buckeye" Book of Direct Advertising'

The Catalogue.
The Booklet.
Envelope Enclosures and Package Inserts.
Commercial Engravings.
The Line Etching.
The Half-tone.
Glossary of Printing and Advertising Terms.

HALL, S. R. 1921

'Advertising Handbook'

Marketing Campaigns.
The Advertising Agency and its Work.
Slogans, Trade Names and Trade-Marks.
The Writing of Copy.
Catalogues, Booklets, Folders, Mailing Cards.
Street Car Advertising.
Moving Pictures.

HALL, S. R. 1924

'Business Writing'

I. Business-Magazine Articles.
II. Newspaper Items.
III. Copy for House Organs.
IV. Writing a Report.
V. Copy for Advertisements.
VI. Improving your English.

HALL, S. R. 1924

'Retail Advertising and Selling'

Costs of Selling.
Turnover and Price-figuring.
Stores Equipment and Layout.
Window Display Merchandising.
Planning and Managing Newspaper Advertising.
Manufacturers' Syndicated and Co-operative Advertising.
Street Car, Outdoor and Specialty Advertising.

HALL, S. R. 1924

'The Handbook of Sales Management'

Distinctive Sales Policies.
Research and Analysis.
Sales Manuals and Courses.
Quota Systems and Standard Tasks.
Developing Inquiries or Leads.
Planning and Using Advertising.
Sales Plans and Campaigns.

HARVARD SCHOOL OF BUSINESS ADMINISTRATION 1925

'Harvard Business Reports'

Decentralised Credit and Collection Control.
Investment of Capital in Foreign Plant.
Results of Advertising on Products of Two Grades.
Budgetary Control of General Expenses.
Curtailment of Production after Business Crisis.
Sales of Private Brands below Market Price.
Standard Costing Rates for By-Products.

HEERMANCE, E. L. 1926

'The Ethics of Business'

Commercial Honesty.
Credits and Contracts.
Professional Ethics.
Business as a Public Service.
"A Fair Profit."
Motive and Custom in Business Practice.
Christianity and Business.

HERROLD, L. D. 1926

'Advertising Copy'

The Sales Function of Copy.
The Analysis preceding the Writing of Copy.
Visualisation of Advertising Copy.
Selecting the Appeals for the Copy.
Writing Magazine Copy.

Writing Copy for Newspapers.
Writing Direct Advertising Copy.

HERROLD, L. D. 1923

'Advertising for the Retailer'

Advertising Mediums for the Retailer.
Selecting the Selling Points.
Display Features of the Advertisement.
Essentials of Copy.
Writing the Sales Letter.
Mail Order Business.
Some Principles of Window Trimming.

HESS, H. W. 1923

'Creative Salesmanship'

Personality in Salesmanship.
Economic Traits demanded by Modern Business.
The Body and its Control.
Selling against Inertia.
Systems for judging Human Nature.
Selecting Salesmen.
Training Salesmen.

HOTCHKISS, G. B. 1926

'Advertising Copy'

Finding the Point of Contact.
The Principles of Construction.
The Substance of Reason-Why Copy.
Story and Dramatic Copy.
The Choice of Words.
Sentence Structure and Paragraphing.
The Feminine Slant.

HUNT, G. E. 1925

'Conferences, Committees, Conventions and How to run them'

The Problem.
Planning.

Organising.
Directing.
Records and Results.
Trade Conventions and Conferences.
Conferences and Conventions of Technical and Religious Bodies.

KLEPPNER, O. 1925

'Advertising Procedure'

The Copy Approach.
Visualising the Idea.
Engraving for the Advertising Man.
Direct Mail Advertising.
The Advertising Organisation.
Glossary and Advertising Abbreviations.
Reading Suggestions and Bibliography.

LARNED, W. L. 1925

'Illustrations in Advertising'

Directing the Eye.
The Illustration as the Advertisement.
Importance of White Areas.
Strategic use of Black Areas.
The Human-interest Illustration.
Distinctiveness in Pen Drawings.
Application of the Woodcut Technique.

LINCOLN, E. E. 1922

'Problems in Business Finance'

Financial and General Considerations involved in beginning a Business.
The Problems of Raising Fixed Capital.
The Problems of Raising Working Capital.
Financial Aspects of Purchasing Goods.
Financial Aspects of Producing Goods.
Financial Aspects of Selling Goods.
Financial Difficulties and their Significance.

LIPPINCOTT, W. 1923

' Outdoor Advertising '

Posters and Posting.
Electric Display.
Painted Display.
Window Display.
Psychology of Outdoor Advertising.
Examples of Outdoor Advertising.
Cost of Outdoor Advertising.

McKINSEY, J. O. 1922

' Budgetary Control '

Organisation for Budgetary Control.
The Sales Budget.
The Production Budget.
The Plant and Equipment Budget.
The Financial Budget.
The Estimated Statement of Profit and Loss.
Manual of Budgetary Procedure.

McKINSEY, J. O., and MEECH, S. P. 1923

' Controlling the Finances of a Business '

Determining Capital Requirements.
Sources and Devices for Securing Capital.
Marketing Securities.
Control of Capital Dishursements.
Control of Credit.
Control of Income.
Organisation for Financial Administration.

MONTGOMERY, R. H. 1924

' Financial Handbook '

MORIARTY, W. D. 1923

' Economics of Marketing and Advertising '

Economic Functions of Marketing.
Services of Advertising to Producers.

Services of Advertising to Consumers.
Advertising as Analysis of the Markets.
Advertising as an Administrative Force.
Advertising as an Influence on Consumer.
Economics of Turnover.

NATIONAL BUREAU OF ECONOMIC RESEARCH 1921

'Business Cycles and Unemployment'

I. The General Description of the Business Cycle.
II. The known facts concerning the extent of Unemployment.
III. The proposed remedies for meeting the Situation.

OSBORN, A. F. 1921

'A Short Course in Advertising'

Name-publicity versus Persuasive Advertising.
Suggestion—the Motive Power of Advertising.
Ways to win attention.
Factors in the Selection of Media.
Demonstrating, Sampling and Sales Aids.
A Typical National Campaign.
A Typical Localised Campaign.

POLLAK FOUNDATION FOR ECONOMIC RESEARCH 1924

'The Problem of Business Forecasting'

Papers presented at the 85th Annual Meeting of the American Statistical Association, Washington, D.C., December 1923.

Trade cycles and Factory Production.
Forecasting Railway Traffic.
Forecasting Building Construction.
Forecasting Petroleum Production.
Forecasting Corn and Hog Prices.
Forecasting Conditions in Europe.
An example of Business Forecasting.

PRAIGG, N. T. 1924

'Advertising and Selling'

Digests of 150 *Convention Addresses by Advertising and Sales Executives during* 1923.

PROPSON, C. F. 1923

'Export Advertising Practice'

The Groundwork of Foreign Advertising.
The Tools of Advertising.
The Export Advertising Department.
The Advertising Survey and Plan of Campaign.
Export Trade Publications and their Uses.
Direct Mail Methods in Foreign Advertising.
Helping the Foreign Dealer with Advertising.

RAMSAY, R. E. 1925

'Constructive Merchandising'

I. Principles.
II. Merchandising Methods and Plans.
III. Constructive Merchandising Practice.
IV. The Trend of Marketing.
(245 *illustrations*.)

RAMSAY, R. E. 1921

'Effective Direct Advertising'

The Physical Factors in Direct Advertising.
The Mental Factors in Direct Advertising.
The Mechanical Factors in Direct Advertising.
The Practice of effective Direct Advertising.
Appendices of Standards.

RAMSAY, R. E. 1920

'Effective House Organs'

Classification of House Organs.
The Plan.
The Make-up.

The Mechanical Details.
How Manufacturers have used House Organs successfully.
How House Organs have accomplished unusual results successfully.
The Costs of several typical House Organs.

RUXTON, R. 1926

'Printed Salesmanship'

The Wastes in Advertising.
The Principles of Resultful Copy.
An Analysis of Advertising as it is.
Greedy Advertising.
Advertising Short Cuts.
The cause of, and cure for, the 60 per cent. Advertising Mortality.
Broken Links in Selling Chains.

SHELDON, G. H. 1925

'Advertising'

Analysing the Market.
Advertising Copy.
Digging for Copy Facts.
The Business Publications.
Packages, Labels and Wrappers.
The Coupon—the quest for Replies.
Trade Names—Trade Marks—Slogans.

SLOAN, C. A., and MOONEY, J. D. 1920

'Advertising the Technical Product'

I. The General Problem and its Economic Elements.
II. The Instruments available for advertising the Technical Product.
III. Technical Advertisements.
IV. Advertising Organisations.

SMITH, W. H. 1924

'Graphic Statistics in Management'

I. Statistics.
II. Chart Construction.
III. General Statistics.
IV. Graphic Application of Statistics.

SNOW, A. J. 1925

'Psychology in Business Relations'

I. Psychology of the Consumer.
II. Psychology in Marketing.
III. Psychology in Advertising.
IV. Psychology in Selling.

SPURR, J. E., and WORMER, F. E. 1925

'Marketing of Metals and Minerals'

A Series of Articles by Specialists.

I. Marketing of Metals and Ores.
(28 *descriptions.*)
II. Marketing of non-metallic Minerals.
(38 *descriptions.*)

STARCH, D. 1923

'Principles of Advertising'

Methods of Investigation.
Suggestive Advertising.
Argumentative Advertising.
Lay-out and Typography.
Trade Marks.
Packages, Cartons and Labels.
Foreign Advertising.

STEVENSON, J. A.

'Constructive Salesmanship'

Preparation for the Sale.
The Approach.

Analysis of a Sales Interview.
Managing the Interview.
Meeting Objections.
The Close.
Service to Customers.

STOTE, A. 1925

'Why We Live'

Dedicated to Woodrow Wilson and the hundred thousand of our hundred million who have learned to think.

Man and Business.
Why we Work.
The New Industry.
The New Commerce.
The New Advertising.
The New Leadership.
The New Government.

STRONG, E. K. 1925

'The Psychology of Selling and Advertising'

I. General Survey.
II. How Man Satisfies his Wants.
III. Principles of Selling and Advertising.
IV. Strategy and Tactics of Selling.

SWIFT, E. J. 1925

'Business Power through Psychology'

The Psychology of Salesmanship.
The Strategy of Salesmanship.
The Tactics of Salesmanship.
Selecting Salesmen.
Thinking as an Asset in Business.
The Psychology of Leadership.
Mental Efficiency.

TIPPER, H., and FRENCH, G. 1923

'Advertising Campaigns'

I. Investigating the Product.
II. Investigating the Market.
III. Planning the Campaign.
IV. Operating the Campaign.

TIPPER, H.; with HOLLINGWORTH, H. L., HOTCHKISS, G. B., PARSONS, F. A. 1924

'Advertising'

I. The Economic Factors in Advertising.
II. The Psychological Factors in Advertising.
III. Advertising Copy.
IV. Advertising Display.
V. The Physical Factors in Advertising.
VI. Planning the Campaign.

TOSDAL, H. R. 1922

'Problems in Export Sales Management'

Export Sales Organisation.
Research and Planning in Export Trade.
Export Policies relating to Product.
Export Policies relating to Distribution.
Export Policies relating to Prices and Terms of Sale.
Sales Methods.
Delivery of Export Orders.

TOSDAL, H. R. 1925

'Principles of Personal Selling'

Psychology of the Selling Process.
Knowledge of the Market as a Basis for Selling.
The Sales Interview.
Personal Selling in Export Trade.
Relation of Personal Selling to Advertising.
Stimulation of Personal Selling; Sales Conferences, Conventions and Contests.
Ethics of Personal Selling.

TOSDAL, H. R. 1925

'Problems in Sales Management'

Sales Organisation.
Sales Research and Sales Planning.
Sales Policies relating to Products.
Prices and Terms of Sale.
Selling Methods.
Management of Sales Force.
Control of Sales Operatives.

U.S. DEPARTMENT OF COMMERCE 1923

'Trade Association Activities'

Statistics.
Simplification and Standardisation.
Cost Accounting.
Employee Relations.
Commercial Research.
The Department of Commerce.
Organisation and Administration.

WELD, L. D. H. 1921

'The Marketing of Farm Products'

Methods of Sale.
Middlemen of the Wholesale Produce Trade.
The Cost of Marketing.
Produce Exchanges.
Inspection and Grading.
Co-operative Marketing.
Problems of Retailing.

WHITE, P. 1926

'Forecasting, Planning and Budgeting in Business Management'

Forecasts in General Business.
The Business Cycle.
Graphic Interpretation.
Presentation of Data.
Budgets.
Planned Purchasing.
Marketing.

WHITE, P. 1925

'Market Analysis'

Methods of Securing Data.
Presenting the Data.
The Product to be Marketed.
The Company.
Competition.
The Potentialities and Limitations of the Market.
Applying the Market Survey to Business.

WHITE, P., and HAYWARD, W. S. 1924

'Marketing Practice'

The Creation of Demand.
Marketing Raw Materials.
Chain Stores.
Direct-to-Consumer Marketing.
Market Analysis.
Sales Planning and Promotion.
Exporting Practice.

WOOLF, J. D.

'Writing Advertising'

Service—the Acid Test.
The Core Idea.
Elements of News Value.
A Word about Words.
Long versus Short Copy.
The Question of Sex.
Melodrama.

Periodical Publications

'Advertising and Selling Fortnightly'
Editor: Frederick C. Kendall

'Associated Advertising'
Editor: Earle Pearson

Class'
Editor: G. D. Crain, Jr.

Direct Advertising'
Editor: Brad Stephens

Industrial Management'
Editor: John H. Van Deventer

Manufacturing Industries'
Editor: L. P. Alford

Printed Salesmanship'
Editor: E. T. Stiger

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Editor: John J. Romer

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